

IN THE
SUPREME COURT OF THE UNITED STATES

OCTOBER TERM, A. D. 1921.

CROWN DIE and TOOL CO.,

Petitioner,

vs.

NYE TOOL and MACHINE WORKS,

Respondent.

PETITION FOR A WRIT OF CERTIORARI.

To the Honorable, the Supreme Court of the United States:

Your petitioner, The Crown Die & Tool Company, respectfully petitions this Honorable Court that a writ of certiorari may be granted, directing the Circuit Court of Appeals for the Seventh Circuit to certify to this Honorable Court, for its review and determination, the case of *Nye Tool and Machine Works, Appellant, v. Crown Die and Tool Company, Appellee*, and for reasons therefore respectfully shows to this Honorable Court as follows:

Statement of Facts.

Two issues are involved in this case:

1. That the complainant herein does not have legal title to the patent involved, and therefore, under Sec. 4919, Revised Statutes of the U. S., cannot maintain a suit for infringement.
2. That the Federal Court does not have jurisdiction.

Your petitioner is a corporation, duly organized and existing under and by virtue of the laws of the State of Illinois, having its place of business at Chicago, Cook County, Illinois; that the Nye Tool and Machine Works is likewise a corporation of Illinois, having its place of business in Chicago, Cook County, Illinois.

2. That the said Nye Tool and Machine Works filed its complaint against your petitioner, in the District Court of the United States, in the Northern District of Illinois, Eastern Division, about August 10th, 1920, alleging infringement of letters patent No. 1,033,142, owned by Reed Mfg. Company, Machine for Forming Screw Thread Cutting Devices; complainants alleged right to bring said suit having been acquired by a certain contract in writing, set forth in the Transcript of Record, pp. 4 and 5.

That in due order of pleading therein, your petitioner filed a motion to dismiss said bill of complaint (Trans. of Rec., pp. 6 and 7) and gave notice in writing to the complainant in compliance with the statutes.

3. That said motion to dismiss came on for hearing in the District Court aforesaid, and upon the 3rd day of February, 1921, a decree was entered, dismissing the bill of complaint for want of equity.

Complainant appealed to the United States Circuit Court of Appeals on February 11th, 1921, and notice

issues here-
involve
construction
of Federal
statutes.

Both parties
to suit dom-
ained in Illi-
nois.

Motion by
defendant
&
dismiss.

Bill dismissed
by Dis-
trict Court.

was duly served upon the attorney for appellees, together with citation, whereby said case was brought before said Circuit Court of Appeals for the Seventh Circuit for review and determination. A certified Transcript of the Record of the District Court was filed in the Circuit Court of Appeals, and the case was entered, docketed and entitled *Nye Tool and Machine Works, Appellant v. Crown Die and Tool Company, Appellee*, No. 2942.

Complainant
appealed
C. C. A.

A certified printed copy of the entire record of the case in the Circuit Court of Appeals is hereby furnished, in conformity with Rule 37 of this Honorable Court, relative to cases from Circuit Courts of Appeal, and the same is referred to, identified herewith, and made a part of this petition. The aforesaid certified printed copy contains all of the proceedings had before the District Court and the Circuit Court of Appeals in said case. The assignment of errors filed by attorneys for the Nye Tool and Machine Works are shown and exhibited in the printed Transcript of Record, page 10, and are hereby referred to and made part of this petition and application.

Record in
C. C. A.

4. The case came on to be heard in the said Circuit Court of Appeals before the Honorable Circuit Court Judges Baker, Evans and Page. On June 24, 1921, Judge Baker delivered the opinion of the Circuit Court of Appeals, reversing the decree of the District Court; that said Circuit Court of Appeals filed its opinion in writing, the closing paragraph of which contained an order that the decree of the District Court be reversed; said opinion and decision are contained in the printed record of the said Circuit Court of Appeals, on pages 20-24, inclusive, and the same is hereby referred to and made a part of this petition.

Decree of
District
Court
reversed.

Shortly thereafter your petitioner filed a petition for rehearing; on October 27th, 1921, said petition was de-

Rehearing
denied.

nied by the said Circuit Court of Appeals for the Seventh Circuit, but the filing of the mandate in said case has been stayed for your petitioner to file this, its petition for a writ of certiorari.

5. Your petitioner is advised, and so believes, that the said judgment and finding of the said Circuit Court of Appeals in reversing the judgment and decree of the District Court is erroneous; is in violation of the Constitution of the United States; entirely without legal justification; contrary to the Revised Statutes respecting jurisdiction of the Federal Courts in patent cases, and opposed to all the rules, decisions and principles of law previously established by this court; and that this Honorable Court should require the said case to be certified to it for its review and determination under and in accordance with the Sixth Section of the Act of Congress, entitled "An Act to establish Circuit Courts of Appeal . . . and for other purposes, approved March 3rd, 1891."

The grounds and gravamen of and for this petition for a writ of certiorari are as follows:

First: Your petitioner respectfully submits that this petition for writ of certiorari should be allowed because this is not a suit arising under the patent laws necessary to give jurisdiction to the Federal Court, all parties to the suit being residents of the same state.

Section 629 of the Revised Statutes of the United States provides that:

"The Circuit Courts shall have original jurisdiction, as follows: . . . Ninth. Of all suits at law or in equity arising under the patent or copyright laws of the United States."

This is a suit brought by the respondent against your petitioner, both domiciled in Chicago, Illinois, upon a

petition for
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v. Stat.,
c. 629.

contract made by the respondent with the owner of a patent, to recover alleged profits and damages only. The respondent owns no interest in the patent, either by grant or license, and has no right in the monopoly granted (under R. S. Sec. 4884) to the owner of the patent to make, use or vend the invention in any part of the United States.

The bill of complaint filed by the respondent in this case (Trans. of Rec., pp. 2-4) recites the application for and the granting of patent No. 1,033,142 to the Reed Mfg. Co., which company undertook to convey to the respondent the right to sue for and collect any damages or profits which have arisen or may arise by reason of the alleged infringement of said patent by your petitioner.

Not a case
arising un-
der the pa-
tent laws.

This is a
suit upon
contract.

The written contract is set forth in full in the Transcript of Record (pp. 3-4), identified as "Exhibit A," and represents all that the respondent in this case can claim under the patent in suit. This alleged transfer of an "interest" in the patent is clearly not an undivided part of the entire patent, nor an undivided part of the entire interest of the patent for a specified territory. Respondent therefore having less than the legal title to the entire patent, or an undivided part in the entire interest in a specified territory, has no right either to make, use or vend the patented machine, and cannot legally maintain a suit under the Federal laws for infringement of the patent. If, in determining the issues in this case, questions of infringement or validity of the patent in suit should arise, they are ancillary to respondent's right of action, which is limited to the collection of the alleged unproven claims for damages and profits only. The Federal Court therefore has no jurisdiction of the subject-matter.

Federal
court has
jurisdiction
of subject
matter.

Second: Your petitioner further submits that this petition for writ of certiorari should be allowed, because

sues involve construction of Constitution and Federal Statutes.

Constitu-
tion, Art. 1,
Sec. 8.

Contract vio-
lates the
Constitu-
tion and cre-
ates a new
monopoly
posed to
the purpose
of the Con-
stitution.

v. Stat.,
c. 4884.

this case involves the construction and interpretation of the Constitution of the United States and of the Federal Statutes, the issues depending, for a full determination of the rights of the parties to the suit, upon the construction and interpretation of Article 1, Sec. 8, Constitution of the United States, and of Sections 629, 4884, 4919 and 4898 of the Revised Statutes of the United States.

The Constitution of the United States, Art. 1, Sec. 8, provides that:

"The Congress shall have power to promote the progress of science and useful arts by securing for limited times to authors and inventors, the *exclusive right* to their respective writings and discoveries."

The spirit and purpose of this section of the Constitution has always been interpreted to stimulate the making of inventions designed to be used for public benefit, and not for the purpose of enabling the inventor or owner of a patent to parcel out and sell to others "rights to exclude" for the sole purpose of promoting litigation and thereby suppressing competition in business. The contract forming the basis of this suit exemplifies the attempted creation of a new monopoly under the patent grant, whereby one manufacturer may harass a competitor by expensive litigation involving a patent, the legal title to which is owned by parties not in court, and a decree respecting which would not be binding upon the owner. The effect of such litigation would be truly to prevent instead of "*promote* the progress of science and useful arts," as contemplated by the Constitution.

Section 4884 of the Revised Statutes of the United States provides that:

"Every patent shall contain . . . grant to the patentee, his heirs or assigns for a term of seventeen (17) years of the *exclusive right* to make, use

and *vend* the invention or discovery throughout the United States or the territories thereof."

The contract, "Exhibit A," which forms the basis of this suit, shows that the respondent herein is not in possession of any of the "*exclusive rights* to make, use or vend" granted by the patent in suit, and therefore has no interest in the patent which a court of equity can protect.

The "right" which was attempted to be conveyed in "Exhibit A" can find no authority for its existence under the statutes of the United States which created the patent, and legally the right to sue for infringement does not exist apart from ownership.

Parties cannot by their own agreement change the rule of law, which under Revised Statutes, Sec. 4919, is:

"Damages for the infringement of any patent may be recovered by an action on the case in the name of the party interested, either as patentee, assignee or grantee."

Respondent
owns no
"rights"
patent wh-
equity c-
protect.

Rev. Stat
Sec. 4919

Under the decisions of this court, it has been uniformly held in the construction and interpretation of Sec. 4919, Rev. Stat., that the word "assignee" is used to mean the "assignee of patent rights," and does not extend to the assignment only of unproven claims for damages and profits which may accrue to the owner out of an alleged infringement of the patent.

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This suit is not in the form of an "action on the case for damages," but clearly in the form of a bill in equity seeking to restrain an alleged infringement, and praying an injunction against your petitioner restraining further alleged infringement of a patent owned by parties not in court; without requiring the court to find title in respondent, or validity and infringement of the patent, all of which the law requires to be done before damages can be assessed.

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decisions.

Third: The writ of certiorari should issue in this case and the case be reviewed by the Supreme Court of the United States in the interest of uniformity of decisions and because questions of gravity and importance are involved.

In granting a patent it clearly was not the intention of Congress to permit several different monopolies to be created out of one and to be divided among different persons within the same limits, which is exactly what is attempted to be done in this case.

The learned Judge of the Circuit Court of Appeals who rendered this opinion has held in former decisions, to which reference is made in petitioner's brief (p. 40, filed herewith), that the patent monopoly is created by the Act of Congress, and no rights can be acquired in it ^{writer author} by statute and in the manner therein prescribed.

If there is a statute defining "the right to exclude," as a "property" right which is "made divisible and assignable at the will of the owner," no reference is made to that statute in the entire record in this case in support of respondent's contention nor in the opinion of the Circuit Court of Appeals.

The Circuit Court of Appeals erred in this case in holding—

"Jurisdiction in equity to enjoin trespasses upon property is unquestionable. When that equitable jurisdiction is invoked, the Chancellor will hear and determine in the same suit the matter of damages that accrued from the trespasses during the plaintiff's ownership of the property and within the period of limitations."

This being a case which does not arise under the patent laws, equity cannot take jurisdiction simply because respondent filed this bill and attempted to invoke the aid of a court of equity to enforce an unconscionable contract under the guise of a suit for infringe-

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ment in an attempt to collect damages in advance of establishing infringement.

Respondent owned the contract on which suit is brought just ten days prior to filing suit. Damages accruing during that period of ownership would not amount to enough in this case to give the court jurisdiction; and respondent's "rights" extend only to prospective claims of damages and profits. The Federal Court, under Rev. Stat. 629, has no *original jurisdiction* of the subject-matter.

Sec. 4919 does not confer upon parties having neither the right to make, use or vend the patented machine the right to test the validity of a patent owned by parties who are not in court.

The Circuit Court of Appeals in its opinion in this case refers to the inventor's natural or common law right, and states:

"It is clear to a demonstration that the natural or common law right and the statutory right are separate and independent. Neither infringes upon the other."

An inventor can make, use and sell his invention under his common law right, but he cannot enjoin others from making, using and selling the same thing. It is the ownership of the patent grant which enables him to enforce his "rights of exclusion"; apart from ownership he would stand in precisely the same position as when practicing the invention under his natural or common law right.

Congress has enacted no statute enabling the owner of a patent to transfer greater or different rights than the inventor possessed without the patent. In the present case respondent owns no rights to the invention covered by the patent, but if permitted to maintain this suit, respondent will be doing, without any of the rights

Respondent
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before fil-
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Respondent
has no ri-
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Inventor's
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granted to the patentee, what the inventor could not do without the patent grant.

Fourth. The writ of certiorari should issue in this case because the Circuit Court of Appeals erred in holding—contrary to all precedents heretofore established by this court—that a complainant who has no right, title or interest in a patent can maintain a suit for infringement of that patent; the owner of the legal title to the patent involved herein is not a party to the litigation.

Section 4898 of the Revised Statutes provides that:

“Every patent or any interest therein shall be assignable in law by an instrument in writing.”

The Circuit Court of Appeals (p. 23, Rec., C. C. A.) has interpreted this section of the Federal Statute to include the patent owner’s imperfect, incorporeal “right to exclude” as a “property” which may be made divisible and assignable at the will of the owner.

This is a travesty upon every rule of law heretofore established by this Honorable Court in considering and interpreting Section 4898, Rev. Stat.

If this decision is affirmed, it will establish a new and dangerous precedent whereby the patent owner’s imperfect, incorporeal, right to exclude may be transferred, independently of the statutory

“grant to the patentee, . . . of the exclusive right to make, use and vend the invention.”

This would enable a non-owner to indirectly utilize the “exclusive rights to make, use and vend” granted by the Government, for the sole purpose of promoting litigation to prevent competition in business.

Contract “Exhibit A” forming the basis of this suit does not grant to respondent the right to test the valid-

ity of the patent on which suit is brought; nor to determine the question of whether or not the machines manufactured by your petitioner infringe the Reed patent in suit; decision of these questions are conditions precedent to the right to any damages, even though the patent owner was complainant.

The vast sums of money claimed to be due by the respondent, Nye Tool and Machine Works, of your petitioner by reason of this contract and the finding of the Circuit Court of Appeals, and the peril to your petitioner's entire property, assets and business, under claims made by reason of this decision of the Circuit Court of Appeals, would seem to make this petition worthy of consideration at the hands of this court upon this ground alone, as a matter of gravity and importance. Certainly so to your petitioner.

Since the decision of the Circuit Court of Appeals in this case, and pursuant to the finding of said court, the respondent, Nye Tool and Machine Works, has filed a second suit, an action at law in the same District Court, against your petitioner, in which the amount of damages asked of your petitioner is two hundred fifty thousand dollars (\$250,000). In that case, as in the present case, respondent assumes all facts as to the validity and infringement of said letters patent to have been adjudicated, and prays an assessment of damages against your petitioner, amounting, if such demands are recognized, to a sum equal to more than the entire property assets of your petitioner.

Your petitioner respectfully submits that this entire proceeding is contrary to law and equity, and in the interest of justice and well settled legal principles, the patent laws of the United States should not be reversed.

The record in this case is clear that the present legal owner of the patent does not bind itself not to sell said

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C. C. A.

patent, and any future owner of the patent would have the same recourse to protect the exclusive rights to make, use and vend the invention that its present owner has, and could proceed to enforce those exclusive rights through the courts against your petitioner if it so desired. A defendant has a right under well-established rules of law to be placed in position to have settled for all time in one litigation any question respecting the alleged charge of infringement. No decree entered in the present case would be binding upon the Reed Mfg. Company, legal owner of the patent in suit. Law and equity demand that all who have rights in the subject-matter in controversy shall be parties to the suit, in order that there be an end to litigation.

In the present suit an attempt is made to divide the patent into fractional interests which, it was represented on behalf of respondent and considered in the court below, was an effort to institute a new method or system of handling patent interests, designated on behalf of respondent as a division of the patent rights on "personal lines." By way of explanation it was represented on behalf of respondent that the authorities cited by your petitioner contained expressions made by courts without having in view this new way of dividing the patent; that the court's mind seemed inconsistent with the validity of the contract "Exhibit A"; but, it was contended on behalf of respondent, those expressions of the court were *unimportant* because based upon situations not only different in fact, but different in principle from the present case.

The statutes of the United States have repeatedly defined the different interests in a patent which are transferable, as (1) a transfer of the whole patent; (2) of a territorial fraction of a patent; or (3) an undivided interest in the whole patent.

The issues here are based upon respondent's attempt to create and litigate a fourth interest in a patent which has never heretofore been recognized to exist separate from the patent grant.

It is the contention of your petitioner:

First, that without amending the Constitution which specifically provides for the *promotion* of science and the useful arts, by a new enactment granting power and authority to certain persons to prevent competition in the promotion of science and the useful arts, this suit cannot be legally maintained; and

Second, without creating statutory authority whereby the right of protection may be divided into a separate estate, transferred, and utilized by outside parties to promote litigation against competitors, such a contract or instrument as "Exhibit A" can have no standing in a court of justice.

The learned judge who rendered the opinion of the Circuit Court of Appeals, referring to Sec. 4898, R. S. (Opinion, p. 23), stated:

"Congress, having full constitutional power over the subject, could have provided that a patent should be non-assignable, or, if assignable, that it should be assigned only as an entirety."

But Congress did not so provide.

It would likewise logically follow that Congress, having full constitutional power over the subject, instead of reciting in each patent grant that:

"These letters patent are to grant . . . the exclusive right to make, use and vend the said invention throughout the United States and territories thereof."

Could have provided that:

"These letters patent are to grant . . . the exclusive right to exclude all other persons from

Respondent's all
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and Rev
Statutes.

Power of
Congress

making, using and vending the said invention. . . ."

But Congress did not so provide.

It is clear that the purpose of Congress was to *promote*, and not to *prevent*, the development of inventions through the medium of the patent grant.

Therefore your petitioner respectfully submits that the issues of this case presented by the respondent are in violation of the Constitution of the United States, the acts of Congress respecting the rights of owners of patents, and of every principle of equity founded thereon.

Fifth. The writ of certiorari should issue because the Circuit Court of Appeals failed to follow or to give force or effect to the well established rules of law and decisions of this court on the legal propositions involved, as they are set forth in petitioner's brief filed herewith, which includes on page 40 thereof reference to a decision previously made by one of the judges who decided the present case wherein Sec. 4919, R. S. was given an entirely different interpretation than is now given to it.

Sixth. Writ of certiorari should issue in this case because, under the circumstances heretofore stated, a full consideration of the case by this Honorable Court will tend to prevent costly, undesirable, unjust and unconscionable litigation in the future between manufacturers of patented devices, which would follow the precedent established if this decision of the Circuit Court of Appeals is not reversed. The effect of the present decision could only be to generally discourage invention and the commercial development of patented articles.

Respondent seeks by this litigation to enlarge the patent monopoly, whereby the owner of a patent may not only retain the whole of the "exclusive right to make, use and vend" the invention, but may simultane-

ously transfer the right to exclude others from making, using and vending the same invention.

Your petitioner contends that there is a basic principle involved in this litigation which strikes at the heart of industrial development. This expansion of the patent monopoly, if upheld by the Supreme Court of the United States, would be of great value to large manufacturers of patented devices, as it would provide an entirely new weapon with which to annihilate competition. A sufficient investment in patent litigation would enable any manufacturer to so involve competitors in patent litigation that their business would become unprofitable. Thus, in effect, the new monopoly now sought to be extracted from the patent grant would operate in restraint of trade and destroy free competition.

Your petitioner further and finally respectfully submits that all of the grounds, reasons and matters asserted and appearing herein for the granting of this petition are raised and presented in due and proper order and place, as appears by a certified copy of the record of the entire case and proceedings here presented. Your petitioner has not understood that it would be expected in this petition to state in detail all facts and legal propositions relied upon in support of this petition and has therefore herein stated only the salient points, positions, reasons and facts upon which this petition is based and founded.

Wherefore your petitioner respectfully prays that a writ of certiorari may be issued out of and under the seal of this court and directed to the United States Circuit Court of Appeals for the Seventh Circuit, commanding said court to certify and send to this court, on a certain day to be therein designated, a full and complete transcript of the record and of proceedings of the

The new
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against
competition

Brief in
support of
petitioner's
application
for writ of
certiorari.

said Circuit Court of Appeals in the case therein entitled *Nye Tool and Machine Works, Appellant, vs. Crown Die and Tool Company, Appellee*, No. 2942, as identified by the Transcript of Record, and to cease and withhold any further action or order in said case until the further order of this court, to the end that the case may be reviewed and determined by this court as provided by Sec. 6 of the Act of Congress, entitled "An Act to establish Circuit Courts of Appeals . . . and for other purposes, approved March 3rd, 1891"; and that your petitioner may have such other and further relief or remedy in the premises as to this court may seem proper and in conformity with said act, and that the judgment and finding of said Circuit Court of Appeals, and every part thereof, may be reversed by this Honorable Court.

And that your petitioner will ever pray, etc.

CROWN DIE AND TOOL COMPANY,

By JAMES W. BARRETT,

President.

FLORENCE KING,

Counsel for Petitioner.

United States of America, }
State of Illinois, } ss:
County of Cook. }

James W. Barrett, being duly sworn, states that he is president of the above named petitioner, The Crown Die and Tool Company, and as said president has full knowledge of its business and affairs and complete knowledge of the matters and things set forth in the above petition and of the conduct and proceedings in the above entitled action; that he has read the forego-

ing petition subscribed by him and knows the contents thereof and that the facts therein stated are true, except as stated upon information and belief, and as to such statements, he believes the same to be true.

JAMES W. BARRETT.

Subscribed and sworn to before me this 23rd day of December, A. D. 1921.

ARTHUR B. RUSSELL,
Notary Public.

I hereby certify that I have examined the foregoing petition and that in my opinion the petition is well founded as to matters of fact and as to matters of law and that the case identified thereby is one, and is such that the prayer of the petition should be granted by this Honorable Court.

FLORENCE KING,
Solicitor for Petitioner.

Notice of Motion.

IN THE
SUPREME COURT OF THE UNITED STATES.

October Term, A. D. 1921.

Crown Die and Tool Co.,
Petitioner,
vs.

Nye Tool and Machine Works,
Respondent.

To DYRENFORTH, LEE, CHRITTON & WILES,
Attorneys for Respondent.

Please take notice that on Monday, January 9th, 1922, at the opening of court on that date, or as soon thereafter as counsel can be heard, a motion for a writ of certiorari, of which a copy is attached hereto, will be submitted to the Supreme Court of the United States at the City of Washington, District of Columbia, for a decision of the court thereon. In support of said motion, a petition and brief will also be presented to said court, copies of which are herewith served upon you.

Respectfully,
FLORENCE KING,
Solicitor for Petitioner.

Service of the foregoing notice and motion and receipt of petition and brief is hereby admitted this day of December, 1921.

Attorneys for Respondent.

IN THE
SUPREME COURT OF THE UNITED STATES.

October Term, A. D. 1921.

Crown Die and Tool Co.,
Petitioner,
vs.

Nye Tool and Machine Works,
Respondent.

Now comes the Crown Die and Tool Company, by Florence King, its attorney, and moves this Honorable Court that by a writ of certiorari or other process directed to the Honorable Judges of the United States Circuit Court of Appeals of the Seventh Circuit, at Chicago, Illinois, requiring said court to certify to this court for its review and determination a certain case in said court lately pending, wherein the Nye Tool and Machine Works was appellant and Crown Die and Tool Company was appellee, and to that end now tenders herewith its petition and a certified copy of the entire record in said case in said Circuit Court of Appeals.

FLORENCE KING,
Attorney for Petitioner.

Service of the foregoing motion is hereby admitted this day of December, 1921.

Attorneys for Respondent.

IN THE
SUPREME COURT OF THE UNITED STATES.
October Term, 1921.

CROWN DIE & TOOL Co.,
Petitioner,
vs.

NYE TOOL & MACHINE WORKS,
Respondent.

**BRIEF IN SUPPORT OF PETITION FOR A WRIT
OF CERTIORARI.**

*To the Honorable Judges of the Supreme Court of the
United States:*

Your petitioner has filed its petition praying that a writ of certiorari may issue from this Honorable Court to the Circuit Court of Appeals for the Seventh Circuit, and in support of said petition and the matters stated therein presents this brief of its authorities.

Upon the record in this case it is clearly shown that the decision rendered by the Circuit Court of Appeals is in conflict with the principles of law well established through repeated decisions of this court, and in the interpretation of the Constitution of the United States and of the patent laws, particularly Sections 629, 4884, 4898 and 4919 of the Revised Statutes of the United States.

According to the law as stated by the Supreme Court in *United States v. Three Friends*, 166 U. S., 495, and *ex parte Lau Ow Beu*, 141 U. S., 583, and 144 U. S., 447, a writ of certiorari will issue under the Judiciary Act of March 3, 1891, from the Supreme Court to the Circuit Court of Appeals, where questions of gravity and im-

portance are concerned, and where there is necessity for uniformity of decisions.

The decision of the Circuit Court of Appeals in this case is important in its immediate effect and far-reaching in its consequence.

If not reversed, the decision herein will establish a precedent of great concern to all manufacturers of patented articles, and which undoubtedly comes within that class of cases which the Supreme Court has repeatedly held to be of great public concern; one which involves the interpretation of our patent laws, either upholding precedents heretofore established by this court, or forming a new precedent which will create a basis for endless patent litigation.

The jurisdiction of the court in this case can be determined only by an interpretation of the Federal Statutes granting original jurisdiction to Federal Courts in all cases arising under the patent laws.

Jurisdiction
of the
Federal Courts

It is contended by petitioner that this is a suit on a contract, and is not a case arising under the patent laws, and, therefore, the parties to the suit, all being residents of the State of Illinois, the Federal Court has no jurisdiction. This is, therefore, a case which the Supreme Court will review and determine the question of jurisdiction where it is distinctly raised in any form.

Sheppard v. Adams, 168 U. S., 618.

Osborn v. Bank of U. S., 9 Wheat., 738:

"If, from the questions, it appears that some title, right, privilege or immunity on which the recovery depends will be defeated by one construction of the constitution or a law of the U. S., or sustained by the opposite construction, the case will be one arising under the constitution or laws of the United States within the meaning of that term as used in the act of 1885, otherwise not. Such is the effect of the decision on this subject."

In the present case, if the Constitution and the Revised Statutes are given the interpretation heretofore established by this court, the respondent herein would have no cause of action against this petitioner, but under the interpretation given to the Revised Statutes, especially Sec. 4919 thereof, by the Circuit Court of Appeals for the Seventh Circuit, a new precedent is established which admits the jurisdiction of the Federal Court and at once is in conflict with previous decisions of this court.

Albright v. Teas, 106 U. S., 550:

"The only complaint made in the bill is that the appellants were fraudulently excluding the appellee from an inspection of their books of account, and refused to pay him sums due for royalties under his contract. And the prayer of the bill was for a discovery, an account of what was due appellee under his contract and a decree for the amount found to be due him. On the face of the bill therefore, the case is not one arising under the Patent Laws of the United States.

"It does not appear that there is any dispute whatever between the parties in reference to the construction of the patents of the appellee. The controversy between them is stated by the appellants themselves, is whether certain goods manufactured by them embodied the invention covered by appellant's patents. This does not necessarily involve the construction of the patents. . . . The case cannot therefore be said to be one which grows out of the legislation of Congress. Neither party asserts any right, privilege, claim, protection, or defense founded in whole or in part on any law of the United States. We are therefore of the opinion that even if we go outside the pleadings and look into the testimony, the case is not one arising under the laws of the United States and consequently that the courts of the United States had no jurisdiction to entertain it."

Excelsior Wooden Pipe Co. v. Pacific Bridge Co., 185 U. S., 282, the court held:

"If a bill be brought to enforce or set aside a con-

tract, though such contract be connected with a patent, it is not a suit under the patent laws and the jurisdiction of the Circuit Court can only be maintained upon the grounds of diversity of citizenship."

In *Pratt v. Paris Gas Light Co.*, 168 U. S., 62, the court held:

"The action under consideration is not one arising under the Patent Laws of the United States in any proper sense of the term. *To constitute such a case, the plaintiff must set up some right, title or interest under the patent laws, or at least make it appear that some right, or privilege will be defeated by one construction, or sustained by the opposite construction of those laws.*" *Starin v. City of New York*, 115 U. S., 248.

Germania Ins. Co. v. Wisconsin, 119 U. S., 473:

"There is a clear distinction between a *case* and a *question* arising under the Patent Laws. The former arises, when the plaintiff in his opening pleading, be it a bill of complaint, or declaration, sets up a *right* under the patent laws as ground for the recovery. Of such the State Courts have no jurisdiction. The latter may appear in the plea or answer, or in the testimony. The determination of such a question is not beyond the portent of the State tribunals.

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"While the question has never arisen in this Court in the exact form presented in this case, we have repeatedly held that the Federal Courts have no rights, irrespective of citizenship to entertain suits for the amount of an agreed license or royalty or for the specific execution of a contract for the use of a patent, or of other suits where the subsisting contract is shown governing the rights of the party in the use of the invention, and that such suits not only may, but must, be brought in the State Courts."

The present suit comes under the law as stated by this court in *Defiance Water Company v. Defiance*, 191 U. S., 184:

"It must appear in the record, by a statement in legal and logical form, such as is required in good

pleading that the suit is one which does really and substantially involve a dispute or controversy as to a right which depends on the construction of the Constitution or some law or treaty of the United States, before jurisdiction can be maintained on this ground.

"We regard this bill as an attempt to evade the discrimination between suits between citizens of the same state, and suits between citizens of different states established by the Constitution and laws of the United States, by bringing into the Circuit Court controversies between citizens of the same state, and an evasion which it has been the constant effort of Congress and this court to prevent. *Bernard's Township v. Stebbins*, 109 U. S., 341; *Shreveport v. Cole*, 129 U. S., 36.

"The decree is reversed at appellant's cost and the case remanded with instructions to dismiss the bill for want of jurisdiction."

In *Shreveport v. Cole*, 129 U. S., 36, this court held:

"In cases originally brought in the Circuit Court or by removal from the state court, it is made the duty of the state court to dismiss or remand the same whenever it appears that the suit does not really and substantially involve a dispute or controversy properly within its jurisdiction, or that the parties to the suit have been improperly or collusively made or joined either as complainants or defendants for the purpose of creating a case cognizable or removable. As remarked in *Bernards v. Stebbins*, 109 U. S. 353, it has been the constant effort of Congress and of this court to prevent the discrimination in respect to suits between citizens of the same state and citizens of different states established by the Constitution and laws of the United States, from being evaded by bringing in the Federal Courts controversies between citizens of the same state. We regard this suit as an evasion of that character. The judgment of the Circuit Court is reversed and the case remanded with directions to dismiss the petition."

Your petitioner, who was defendant in the court below, on a motion to dismiss, contested the right of respondent herein to maintain this suit on the ground that respondent represented no legal or equitable interest in

the patent sued on, and that the court had no jurisdiction of the subject-matter.

As set forth in the petition, respondent owns no interest, not even a license to make, use or vend the invention of the patent in suit, but has a contract with the owner of the patent, which contract purports to transfer to respondent all claims for damages or profits which may be collected from your petitioner on the alleged charge of infringement.

The bill of complaint filed by respondent in the Federal Court does not pray the court for a decree finding legal title to the patent in suit in complainant, or that the patent is valid, or that the patent is infringed; but does pray for an injunction, and for assessment of damages and profits against the defendants.

Requirements for Injunctive Relief in Patent Cases.

Injunctive relief in equity will be granted to prevent an injury to the rights or property of complainant, and it is incumbent upon a complainant demanding a writ of injunction to restrain a defendant from alleged infringement of a patent, that said complainant must come into court with an interest showing a *legal right* under the patent which can be protected by the injunction writ and showing also that the true purpose for the writ is one appealing to a court of equity.

In the present suit the patent involved is owned by the Reed Mfg. Company who is not in court and, as will be seen by reference to the contract, "Exhibit A," has not transferred any of the exclusive rights to make, use and vend the device of the patent to the respondent.

Nye Tool and Machine Works, respondent, on the other hand, owning no legal interest in the patent, is attempting, with the aid of a court of equity, to secure an in-

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junction restraining your petitioner from making, using and vending machines which are alleged to infringe the patent owned by the Reed Mfg. Company.

In prosecuting this suit, the respondent has assumed the legal status of the owner of the patent grant, and asks the court to so recognize this alleged status, failing to apprehend the fact that a purchaser who buys from the patentee the naked right to promote litigation by bringing suit to collect damages and profits in advance of an adjudication of the legal rights involved is not by law given the legal status of the patentee or owner.

The patentee at the time his patent issues has a natural right to practice his invention, and his patent monopoly permits him to protect his right by excluding all others.

The patent vests in the owner two things which are vital to his standing in a court of equity, *i. e.*:

(1) The exclusive right to make, use and vend the invention; and

(2) The equitable remedy by injunctive relief for the violation of that right.

The granting of the patent took away from all others, save the patentee and his assigns, the right to make, use and vend the invention, and as the injunctive relief is *solely for the protection of the patent owner against violation of these exclusive rights*, it cannot be a property separate and divisible from the patent at the will of the owner. If, as in the present instance, it is to be separated and divided from the patent, the owner of the patent is—in advance of a violation of his exclusive rights—selling the remedy incidental to the protection of the “exclusive right to make, use and vend”; at the same time retaining all of the exclusive rights of the patent grant.

This, petitioner contends, is contrary to the spirit and

purpose of the Constitution and of the Revised Statutes of the United States respecting the patent grant.

Respondent herein is not entitled to maintain an action which might result in having the letters patent herein declared invalid, and no cause of action entitling respondent to such relief is stated.

Every suit charging infringement of a patent requires the court to decide three essential facts before a writ of injunction will issue, viz.:

1. That the complainant is owner of the legal title;
2. That the patent is valid;
3. That the patent has been infringed by the defendant.

The prayer for relief in the present case (Trans. of Rec., p. 4) does not ask the court's decree as to title, validity or infringement of the patent.

These three points *must* be decided in the affirmative before the *owner* of a patent is entitled to injunctive relief in a court of equity. From the record in this case it is plain that these points are not to be adjudicated in this suit.

It is therefore conclusive that this is not a suit arising under the patent laws. Also it is not a case, the parties being residents of the same state, coming within the jurisdiction of a Federal Court.

In the court below respondent interpreted the document "Exhibit A" (Rec. 4-5) as an assignment transferring to respondent herein an "interest" in the patent, and attempts to bring respondent within the requirements of Equity Rule 37 as "the real party in interest."

While Equity Rule 37 provides that

"every action shall be prosecuted in the name of the real party in interest,"

the clear purpose of this rule is to prevent the necessity of joining as parties those who have merely a pecuniary

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interest in the action. It cannot be assumed that the Supreme Court had for its purpose to render R. S. Sec. 4919 inoperative and to change the whole meaning of its prior decisions defining what "interest" is meant. An interpretation of the rule as set forth in numerous cases plainly shows that the "interest" asserted by a plaintiff under Sec. 4919, Rev. Stat., must be a *legal interest in the patent grant*.

In *Moore v. Marsh*, 7 Wallace, 515, this court decided who are "parties interested":

"Correct interpretation of the words, 'person or persons interested,' is that the words mean the person or persons interested in the patent at the time when the infringement was committed, which is the cause of action for which the damages may be recovered."

And in *Gaylor v. Wilder*, 10 Howard, 469:

"Unquestionably, a contract for the purchase of any portion of the patent right may be good as between the parties as a license and enforced as such in the courts of justice. But the *legal right in the monopoly remains in the patentee and he alone can maintain an action against a third party to contest an infringement upon it.*" Following *Blanchard v. Eldridge*, 1 Wal., 337.

To hold that respondent in the present case had a legal interest in the patent monopoly would be contrary to all previous decisions.

In *Pope v. Gormully Mfg. Co.*, 144 U. S., 238, the plaintiff owned an exclusive right to make, use and vend the invention with respect to a feature forming a most important part of the patent; but the court held that such right did not give him an interest necessary to enable him to maintain a suit for infringement.

Respondent contended in the court below that the assignment in that case did not purport to give the assignee the right to exercise all three rights granted by the

whole patent, it did give to the assignee all three rights as to the claim in question, which covered an important part of the invention.

In the present instance respondent does not own even one of the three rights to any of the claims granted by the patent.

In order to find an apparent excuse for bringing this action in the Federal Court, an interpretation is placed upon Equity Rule 37 which is contrary to Sec. 4919 of the Rev. Stat., and which cannot, under many decisions of this court, be maintained.

The Law in This Case.

The legal questions to be determined in this proceeding are two-fold, *i. e.*, (1) the lack of title of the respondent to the patent in suit, and (2) the jurisdiction of the court.

Two legal
questions
in this case.

As the question of the jurisdiction of the court should first be determined, your petitioner presents authorities which are conclusive on this subject. The bill of complaint (Trans. of Rec., pp. 2-4) shows that your petitioner and respondent herein are both corporations of Illinois, and both domiciled in Chicago.

In filing this suit the respondent assumed the legal status of the owner of a patent grant, and for the purpose of prosecuting your petitioner for the collection of a prospective claim for alleged damages and profits, has brought this suit in the United States Court under the guise of a suit for infringement.

Respondent
assumes
legal status
of patent
owner.

The bill of complaint as filed does not present a cause of action arising under the patent laws of the United States, nor does the respondent state in the bill that the suit involves an amount of money sufficient to give the United States Court jurisdiction.

Respondent
does not
own one of the
three rights
of the patent
granted.

Upon the question of whether or not a complainant having no legal interest in the subject-matter of the litigation can maintain a suit, this court said in *Davis v. City of Los Angeles*, 189 U. S., 209:

"This was a bill in equity filed in the Circuit Court for the South District of California, by appellant, a citizen of Mass. to restrain the City of Los Angeles and its officers from enforcing certain municipal ordinances prohibiting the erection or maintenance of gas tanks or reservoirs within certain portions of the city.

"The demurrer was filed to the bill by the city for want of equity and of jurisdiction which was sustained by the court and the bill dismissed.

"As the appellant has shown no *legal interest* in this litigation and no lack of a complete and adequate remedy at law it results that the bill was properly dismissed and the decree of the court below is affirmed."

To permit respondent to prosecute this suit in a Federal Court, under the guise of a suit for infringement of patent rights, will require a different interpretation of the Revised Statutes of the United States than has been heretofore made by this court.

Robinson on Patents, Vol. 3, p. 123:

"An infringement is an invasion of the monopoly granted by the patent and the law which defines and authorizes this monopoly confers *only upon its legal owners* the right to institute proceedings for its violation."

Page 131:

"*The right of action cannot be conveyed separately from the patent since this would confer the ability to sue for an infringement any other persons than those named in the statute as the legal owners of the monopoly.*"

On behalf of the respondent in the court below it was contended that as courts of equity had created the whole right to assign choses in action, there seemed to be no

logical or sound reason why the present assignment should not be considered as perfectly proper in equity.

Courts have classified choses in action as assignable and non-assignable, and clearly the contract forming the basis of the present suit is based upon a non-assignable chose in action.

In *Hayward v. Andrews*, 106 U. S., 672, the Supreme Court settled that question:

“An assignee of a chose in action, *as a patent right* cannot proceed by a bill in equity to enforce for its own use the legal right of his assignor merely because he cannot sue in his own name.”

Choses in action.

The law stated by Supreme Court.

In accordance with the above clearly the respondent herein has no legal rights which it can enforce against petitioner in this action. In urging this contention in the court below respondent did not present a single decision supporting its right to bring suit upon a chose in action.

In *Gordon v. Anthony*, 16 Blatch., 234, this court held:

“Equity jurisdiction in patent cases is conferred by sections 629, 711 and 4921 of the Revised Statutes, notwithstanding the patent may have expired before suit is brought, and no injunction could be granted.”

“No person can bring a suit for profits or damages for infringement *who is not the patentee or such an assignee or grantee as the statute points out.*”

“*A claim to recover profits or damages for past infringement cannot be severed from the title by assignment or grant so as to give a right of action for such claim in disregard of the statute.*”

“The profits or damages for infringement cannot be sued for except on the basis of a title as patentee, or as such assignee or grantee to the whole or part of the patent, and not on the basis merely of a right to a claim for profits and damages severed from such title.”

Respondent's suit contrary the law here stated by Supreme Court.

From the above decision there can be no doubt that the entire title to the patent must be represented in a suit for infringement.

DeForest v. Collins Wireless Telephone Co., 174 F. R., 821.

The right to sue on a patent is not a matter of contract, but is the creature of and can only exist as authorized by statute. In the above case the court said:

"It does not appear from said bill of complaint that the complainant herein has such title or interest in or under the Letters Patent herein sued upon as to enable him to maintain suit against this defendant."

"The case at bar is controlled by *Pope Mfg. Co. v. Gormully Mfg. Co.*, 144 U. S., 248. In this case Mr. Justice Brown discusses *Gaylor v. Wilder*, 10 Howard 477 (the leading case upon this subject), and *Waterman v. MacKenzie*, 138 U. S. 252, and reaffirming the principle of law therein enunciated held as follows:

"The monopoly granted by law to a patentee is for one entire thing, and in order to enable an assignee to sue for an infringement, the assignment must convey to him the entire and unqualified monopoly which the patentee holds in the territory specified."

"In that case the complainant claimed title from the patentee under an instrument using as apt terms of sale and assignment as those used in the case at bar but as was said by Justice Gray in *Waterman v. MacKenzie, supra*, page 256 of 138 U. S."

"Whether a transfer of a particular right or interest under a patent is an assignment or a license, does not depend upon the name by which it calls itself, but upon the legal effect of its provisions."

"In the case cited as controlling the conveyance did not embrace the entire monopoly, but was limited to so much of the patent as related to or covered the adjustable hammock seat or saddle. It was held that this limitation made the conveyance a mere license. This limitation and its legal effect are indistinguishable from those found in the case at bar, in which the complainant did not obtain the patentee's invention in connection with the wireless telegraph work, but only that which related to telephone work and communication. By this limitation the contract is but a license."

"The complainant being a licensee, and not an as-

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signee, cannot maintain an injunction bill in his own name unless (as is contended in his behalf) the authority contained in the license, *viz.*; together with the right to sue for and collect damages and royalty, past or future for the infringement of said patents, etc., gives him the right so to sue."

"Assuming for argument's sake that the capacity to sue is a matter of contract, it is to be noted that this clause does not expressly authorize a bringing of suits to enjoin infringements. By its own terms it is limited to bringing *suit for damages and royalty and this can be done only in any action at law.*

"A patent right is a creature of the federal law and *no rights can be acquired in it, unless authorized by statute and in the manner the statute prescribes.* *Gaylor v. Wilder* and *Waterman v. MacKenzie, supra.*"

Sec. 4898, Rev. Stat., 3 U. S. St. 1901, page 3387, 5 Fed. St. Ann. 531, provides that:

"Every patent or any interest therein shall be assignable in law by an instrument in writing and the patentee or his assignee or legal representatives may in like manner grant and convey an exclusive right under the patent to the whole or any specified part of the United States."

"By section 4919, Rev. Stat., 3 U. S. Comp. St. 1901, page 3394, 5 Fed. Stat. Ann. 552:

"Damages for infringement of any patent may be recovered by action on the case, in the name of the party interested, either a patentee, assignee or grantee."

"Grants as well as assignments must be in writing, and they must convey the exclusive right under the patent to make and use and vend to others to be used, the thing patented, within and throughout some specified district or portion of the United States and such right must be exclusive of the patentee as well as all others except the grantee." *Moore v. Marsh, 7 Wallace, 515.*

"It was obviously not the intention of the legislature to permit several monopolies to be made out of one, and divided among different persons within the same limits. Such a division would inevitably

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lead to fraudulent impositions upon persons who desired to purchase the use of the improvement, and would subject the party under a mistake as to his rights, use the invention without authority be harassed by a multiplicity of suits, instead of one, and to successive recoveries of damages by different persons holding different portions of the patent right in the same place.'

"Unquestionably a contract for the purchase of any portion of the patent right may be given as between the parties as a license, and enforced as such in the courts of justice. But the legal right in the *monopoly remains in the patentee, and he alone can maintain an action against a third party who commits an infringement upon it.* Demurrer sustained."

In *Waterman v. MacKenzie*, 138 U. S., 255, this court said:

"Every patent issued under the laws of the United States for an invention or discovery contains a grant to the patentee, his heirs and assigns for a term of seventeen years, of the *exclusive right to make, use and vend the invention or discovery throughout the United States and the territories thereof.* Rev. St., Sec. 4884. The monopoly thus granted is one entire thing, and cannot be divided into parts except as authorized by those laws.

"The patentee or his assigns may, by instrument in writing assign, grant and convey, either:

"1. The whole patent, comprising the exclusive right to make, use and vend the invention throughout the United States, or

"2. An undivided part or share of that exclusive right; or

"3. The exclusive right under the patent within and throughout the specified part of the United States.

"A transfer of either of these three kinds of interests is an assignment, properly speaking, and vests in the assignee a title in so much of the patent itself with the right to sue infringers. In the second case, jointly with the assignor. In the first and third cases, in the name of the assignee alone.

Any assignment or transfer short of one of these, is a mere license, giving the licensee *no title in the patent and no right to sue at law in his name for an infringement.* Rev. Stat. 4919; *Gaylor v. Wilder*, 10 Howard, 477; *Moore v. Marsh*, 7 Wall. 515."

"*In equity, as at law*, when the transfer amounts to a license only, the title remains in the owner of the patent, and suit must be brought in his name, and never in the name of the licensee alone, unless that is necessary to prevent an absolute failure of justice as where the patentee is the infringer and cannot sue himself. Any rights of the licensee must be enforced through or in the name of the owner of the patent, and perhaps, if necessary to protect the rights of all parties, joining the licensee with him as a plaintiff. Rev. Stat. 4921."

Littlefield v. Perry, 21 Wall., 205.

Paper Bag Cases, 105 U. S., 766.

Birdsell v. Shaliol, 112 U. S., 485.

"Whether a transfer of a particular right or interest under a patent is an assignment or a license does not depend upon the name by which it calls itself but upon the legal effect of its provisions.

. . . On the other hand, the grant of an *exclusive right* under the patent within a certain district which does *not* include the *right to make*, the *right to use* and the *right to sell* is *not* a grant of a *title* in the whole patent right within the district, and is therefore only a license."

In *Goldsmith v. The American Paper Collar Co.*, 2 F. R., 239, the court held:

"An action for infringement of a patent must be brought in the name of the real and beneficial party in interest.

"This is a suit in equity brought for the infringement of letters patent granted to Charles Spofford and James H. Hoffman. . . . That Spofford after the grant of the patent entered into an agreement in writing with the plaintiff, Goldsmith, whereby among other things he appointed Goldsmith as attorney, and in his place or stead to commence, prosecute, compromise, settle, release, conclude and en-

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force, by suit at law in equity any infringement of the rights secured to him, said Spofford, by said patent by defendant, of such suits to be brought in the name and at the cost of said Goldsmith; that Spofford thereby expressly agreed that he would not do in respect to the defendant any of the acts which he thereby authorized Goldsmith to do; that Goldsmith is the sole and lawful person to bring the bill as to the interest in the patent vested in Spofford; that Hoffman and Spofford will receive large profits from the patent if infringement by the defendant be prevented. It prays for a recovery of profits and of damages. The bill is demurred to because Spofford is not made a party, and because Goldsmith is made a party."

"It is provided by Section 4919, of the Revised Statutes that:

"Damages for the infringement of any patent may be recovered by action on the case in the name of the party interested either as patentee, assignee or grantee."

"Jurisdiction is given to the Circuit Court, by Section 629, of all suits in law or in equity arising under the patent laws.

"It is provided by Section 4921 upon a decree being rendered in any case for an infringement complainant shall be entitled to recovery in addition to the profits to be accounted for by the defendant, the damages the plaintiff has sustained thereby.

"The clear purport of this provision is that the party in interest must bring the suit whether at law or in equity, in his own name, and cannot delegate the right to another person to bring the suit in the name of such other person, when the suit is not for the benefit in any way of such other person. It is a question of public policy. The defendant has a right to require that the real name or party in interest shall be in court, so that the court may exercise a control over him, in the course of the suit, if necessary to require him to do something which the rights of the defendant may require to be done. Goldsmith has no control as to the patent, or any-

thing to be done under it, except to bring suits in respect to Spofford's interests.

"There is another respect to which it is against *public policy* to permit a suit like this to be brought. Goldsmith appears to be clothed with the entire discretion as to when and under what circumstances to bring suit and when to compromise or settle for infringement. Spofford has denied himself of all control in this respect although he has a beneficial interest and Goldsmith does not appear to have any. As was said by Judge Shipman in *Gregerson v. Imlay*, 4 Blatch., C. C. R. 503:

"This is detrimental to the peace of society and the safety of individuals and against public policy.

"Demurrer sustained."

Southern Textile Machinery Company v. Fay Stocking Co., 243 F. R. 921:

"The instruments in writing here relied on were in exact terms that Drenk and Phillips *are not parting with their title or ownership*. They do not purport to sell or transfer their interest in the patent applied for, either in the United States or in a specific part of it. This limitation or reservation is reserved and expressly set forth in all the writings to which either of them is a party, they purport to give or to be willing to give, permits or licenses to *manufacture and sell* only. . . .

The instrument "exhibit A" likewise not transfer title or ownership.

Law well established many decisions.

"It must be held that complainant has acquired, both at law and in equity, something less than the right conferred by the letters patent upon the patentee. The law in this respect has been established by many decisions. The exclusive right thus acquired by a patentee consists of three things: 1. The right to make; 2, the right to use, and (3) the right to vend the invention or discovery. If any one of these three is not assigned or granted, the grantee acquires at most only a license. See the following:

Gaylor v. Wilder, 10 Howard, 477.

Mitchell v. Hawley, 16 Wallace, 544.

Hayward v. Andrews, 106 U. S., 672.

Waterman v. McKenzie, 138 U. S., 252.

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"This being the law, complainant has a good title as to one-half of the letters patent now in litigation, and at most a license as to the other half. In this situation, the parties entitled to maintain an action for infringement has often been under consideration and it is settled law that a licensee, or one or two or more joint owners of a letters patent cannot maintain a suit in equity to enjoin infringement without uniting the licensor or their joint owners. See the following:

Gaylor v. Wilder, 10 Howard, 477.

Waterman v. MacKenzie, 138 U. S., 252.

"These rules of law are based on the fundamental consideration that all persons interested in the subject-matter or to be affected by a decree should be made parties, because it is for courts of equity to do complete justice, and to settle the rights of all parties in one suit in order that litigation may end, and a multiplicity of suits be avoided. A decree does not bind absent parties, and they may therefore harass the defendant with another action based on the same cause of action."

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The above case of *Southern Textile Machinery Co. v. Fay Stocking Company* is one heard and decided in 1917, under the new equity rules, and clearly defines under the former decisions of *Gaylor v. Wilder* and *Waterman v. MacKenzie*, who may sue for infringement of a patent, and leaves no question but that the entire legal interest in the patent must be represented in the complainant.

The Opinion of the Circuit Court of Appeals in This Case.

In giving consideration to the issues raised in this case the Circuit Court of Appeals appears to have failed entirely to consider the main question at issue, i. e., that respondent herein has no legal title to the patent and cannot under the Revised Statutes place itself in the

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status of the owner for the purpose of promoting patent litigation.

Respecting the natural right or the statutory right of a patentee there is no issue in this case, but the Circuit Court of Appeals stated that:

"An inventor is not compelled by law to apply for and take out a patent if he has produced a new composition of matter of such a nature that the ingredients and the process are safe from discovery by others either by observing his use of his invention or by independent investigation and experiment, he would have a much more entire monopoly by refusing to make the full disclosure that our patent statute invites. Such is his natural or common law right. It is only when he fears discovery and resultant injury from the exercise by others of their natural or common law right to copy his unpatented invention that he seeks the patent solicitor. So it is clear to a demonstration that the natural or common law right and the statutory right are separate and independent. Neither impinges upon the other. Whether an inventor exercises or refuses to exercise his natural or common law right has nothing to do with his assertion of his statutory right which consists exclusively of his power through the courts, to restrain others from practicing his invention and to call them to account for having done so in defense of his monopoly."

"As 'the right to exclude' is the only property involved and as that property is made divisible and assignable at the will of the owner, and as the owner had duly assigned to appellee the whole of the right to exclude appellee, it is difficult to understand why appellee should feel concerned about appellant's lack of right to exclude strangers to this suit."

If the respondent herein was exercising its statutory right "to restrain others from practicing *his* invention to call them to account for having done so in defense

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ponent of his monopoly," petitioner in this case would be bound to recognize the legal rights of respondent herein to invoke the aid of equity in defense of its monopoly. But having no rights in the patent grant, what monopoly has this respondent which any court of equity can enforce?

The opinion of the Circuit Court of Appeals in this case was delivered by the Honorable Judge Baker. In the case of *Blair et al. v. Lippincott Glass Co.*, 52 F. R., 226, Judge Baker also rendered an opinion involving a question of title to the patent in suit. In that case some of the same decisions of the Supreme Court herein relied upon by your petitioner to sustain its present contention were referred to by Judge Baker in support of his decision which is squarely in conflict with the decision in the present case.

In that case Judge Baker held:

"An inventor of a new and useful improvement has no exclusive right to it until he obtains a patent. This right is created by the statute and secured to the patentee, and no suit can be maintained by the inventor against anyone for using it before the patent is issued. The discovery is a mere inchoate statutory right, which he may perfect and make absolute by proceeding in the manner which the law prescribes. *Reeves v. Corning*, 51 F. R., 774."

"The monopoly secured to the patentee is for one entire thing. It is the right to make, use and vend to others to be used the improvement he has invented and for which the patent is granted to the exclusion of all others. The monopoly did not exist in common law, and the rights which may be exercised under it must be regulated by the law of its creation. It is created by the Act of Congress and no rights can be acquired in it unless authorized by statute and in the manner therein prescribed. *Gaylor v. Wilder*, 10 How., 477."

"A suit may be maintained for the infringement of a patent in the name of the party interested either as patentee, assignee or grantee. R. S. 4919. But to enable the assignee to sue alone, the assignment must undoubtedly convey to him the exclusive monopoly which the patentee held in the territory specified to the exclusion of the patentee and all others. To enable him to sue jointly with the patentee, the assignment must convey to him an undivided part of the monopoly in the territory where the infringement occurs. Any assignment short of this is a mere license. It has been well said that it was not the intention of Congress to permit several monopolies to be made out of one, and to be divided among different persons within the same limits. Such a division would inevitably lead to fraudulent impositions upon persons who desired to purchase the use of the improvements, and would subject a party who, under a mistake as to his rights, used the invention without authority, to be harassed by a multiplicity of suits instead of one, and to successive recoveries of damages by different persons holding different portions of a patent right in the same place."

Judge Baker's decision in ent case contrary to decision *Blair v. Lippincott.*

Petitioner's contention in this case is stated exactly in the language of Judge Baker in the paragraph above quoted. The respondent herein has not had conveyed to it an "undivided part of the monopoly." As was contended on behalf of petitioner in the court below, and as held in *Gaylor v. Wilder*, the complainant in a suit for infringement must own the legal title to the patent. The patent right being "created by an act of Congress, no rights can be acquired in it unless authorized by statute and in the manner therein prescribed." Nowhere does the statute prescribe the assumed "interest" upon which respondent herein relies to maintain this suit for infringement, and which Judge Baker designates in the opinion as "the right to exclude."

Judge Baker's decision in the above case of *Blair v. Lippincott* has been followed in *Wallach et al v. Wig-*

more, 87 F. R., 469; *N. Y. Continental Co. v. City of Sullivan*, 111 F. R., 179; *Brookfield v. Novelty Glass Mfg. Co.*, 170 F. R., 960, and others.

Decisions Referred to By Court of Appeals.

In support of its finding the Circuit Court of Appeals in this case makes reference in its opinion to the following decisions:

Bloomer v. McQuewan, 14 How., 539.

Patterson v. Kentucky, 97 U. S., 501.

Continental Paper Bag Co. v. Eastern Paper Bag Co., 210 U. S., 465.

Fuller v. Berger, 120 F. R., 274.

visions referred to in
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involve issues
presented in
case.

In not one of the above cases was a complainant undertaking to sue for infringement when he owned neither a natural nor a statutory right in the patent, as is the case in the present instance.

In *Bloomer v. McQuewan* it was decided that:

“One in the lawful use and ownership of a patented machine at the time of expiration of extended Letters Patent, may lawfully continue to use that identical machine, though the term of the Letters Patent has been still further extended by a special Act of Congress.”

No question of title was raised in that case.

In *Patterson v. Kentucky*, the question before the court was whether or not a state law could be enforced against a patentee owning a process upon which the United States Government had granted a patent.

No question of title was raised in that suit.

The question decided in the *Continental Paper Bag Company v. Eastern Paper Bag Company* was that:

“Non-use of a patent for an improvement on paper bag machines in order to save the expense of changing or altering the old machines will not justify a

court of equity in withholding injunctive relief against infringement."

No question of title was raised in that suit.

In *Fuller v. Berger*, the court held:

"Neither the non-use or the misuse of a patented device by the owner of a patent deprives him of the right to maintain a suit in equity to enjoin infringement."

No question of title was raised in that case.

In none of the cases referred to was the question of the complainant's right to sue for infringement presented to the court. It appears from the court's opinion in each of the above cases that the title to the patent in each of the above suits was properly vested in the persons bringing the suits.

To read into this case an assumed issue, the decision of which ignores the real issue presented here, establishes a wicked precedent and is a travesty upon justice.

Not a single precedent or a section of the Revised Statutes has been pointed out, in this entire case, on behalf of the respondent, nor in the opinion filed by the Honorable Judges of the Circuit Court of Appeals, which furnishes a basis for permitting a complainant having no legal title to the patent, and no rights to make, use or vend the machine covered by the patent, to maintain a suit for infringement.

According to the Revised Statutes and the decisions of this court upon the question of titles heretofore referred to, the petitioner herein cannot be forced to defend a suit for infringement by a complainant who has no legal interest in the patent sued on.

The contract, "Exhibit A," between respondent and the owner of the patent in suit shows that no interest in the patent which can be protected by the injunctive writ was transferred, or attempted to be transferred, by the Reed Mfg. Company to the respondent herein.

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Further, and as previously stated, if the respondent herein has cause of action against the petitioner, it cannot be for anything more or different than is stated in the contract, "Exhibit A," which is only for the collection of alleged damages and profits, the subject-matter of which this court has no jurisdiction.

Upon the decisions above referred to the Circuit Court of Appeals in this case also found that:

"Section 4898 R. S. says that: Any patent or any interest therein shall be assignable in law by an instrument in writing. It would be harder to find broader or clearer words than 'any interest therein' with which to clothe the owner of a patent with the right to subdivide and deed or lease his property as he pleased."

This court
has repeat-
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If the Constitution or Revised Statutes furnished any basis for this construction of the transferrable interests in patent grants, it is strange indeed that the Supreme Court has always interpreted the law as expressed in *Moore v. Marsh*, *Gaylor v. Wilder*, *Waterman v. MacKenzie*, and others referred to in this brief all uniformly holding contrary to the decision of the Court of Appeals in this case.

Public Policy.

In the opinion of the Circuit Court of Appeals (p. 23 Rec.), it is stated:

"Appellee's argument that a monopoly of this character is contrary to public policy is somewhat belated in view of the Constitution and Acts of Congress."

The petitioner's motion to dismiss raised no question of public policy, although in view of the following decisions it is apparent that it might have done so and would not have done violence either to the Constitution or to the Acts of Congress.

In *Goldsmith v. American Paper Collar Co.*, 2 F. R., 239, the court, in referring to Sec. 4921, Rev. Stat., said:

"The clear purport of this provision is that the party in interest must bring suit whether at law or in equity, in his own name and cannot delegate the right to another person to bring the suit in the name of such other person, when the suit is not for the benefit in any way of such other person. *It is a question of public policy.*"

Such litigation as has been repeatedly held to against public policy

And again:

"There is another respect to which it is against *public policy* to permit a suit like this to be brought. Goldsmith appears to be clothed with the entire discretion as to when and under what circumstances to bring suit and when to compromise or settle for infringement. Spofford has denied himself all control in this respect although he has a beneficial interest and Goldsmith does not appear to have any. As was said by Judge Shipman in *Gregerson v. Imlay*, 4 Blatch., C. C. R. 503, 'This is detrimental to the peace of society and the safety of individuals and is against *public policy*'."

The real question at issue here is now presented to the court for the first time. That it is one of gravity and importance needs no further argument than the statement that if a precedent is established creating a new transferable interest in a patent grant, whereby a manufacturer who desires to suppress or annihilate competition may purchase from the owner of a patent, not any of the exclusive rights conferred by the patent grant, but the right only to involve another manufacturer in useless and expensive patent litigation, it will have but one result, *i. e.*, the promotion of litigation of this nature.

Litigation of the kind exemplified by this suit would serve no good purpose for anyone. It contemplates only to establish a new basis for law suits, which is contrary to the spirit and purpose of Article 1, Sec. 8, of the Constitution of the United States, is also contrary to the Fed-

eral Statutes covering patent grants, and to suits arising under the patent laws.

Under the law as well established and shown by the cases herein referred to, the equities in this case are all with the petitioner herein, and the bill should be dismissed.

Respectfully submitted,

FLORENCE KING,
Solicitor for Petitioner.

CHICAGO, Dec. 23, 1921.

IN THE
SUPREME COURT OF THE UNITED STATES.

OCTOBER TERM, A. D. 1921.

CROWN DIE and TOOL CO.,
Petitioner,
vs.
NYE TOOL and MACHINE WORKS,
Respondent.

ANSWER AND BRIEF OF RESPONDENT IN OPPOSITION
TO PETITION FOR CERTIORARI.

I.

The Decree Is Merely Interlocutory.

Plaintiff filed an ordinary patent bill (Rec. 2) alleging infringement and praying an injunction and accounting. The nature of plaintiff's interest in the patent was set forth in the bill of complaint in full, otherwise the bill was in the usual form. The bill shows that, whether or not plaintiff is technically an owner, it had the entire beneficial interest in the subject-matter of the litigation. (See Exhibit "A," attached to bill of complaint, Rec. 4.)

Defendant moved to dismiss, upon grounds substantially amounting to the charge that there was a technical non-joinder of parties appearing on the face of the bill, and the motion was granted. An appeal was taken to the Court of Appeals of the Seventh Circuit, which reversed the decree and remanded the case (Rec. 20) with directions to overrule the motion to dismiss and require the defendant to answer.

The case is now in an interlocutory stage; and the decree of the Court of Appeals is clearly interlocutory, in that it only orders an answer to the bill.

In the case of *Baldwin Company v. Howard Company*, U. S. Adv. Ops., page 501 (65 L. Ed. —), this court indicates a tendency to draw a strict jurisdictional line on the writ of certiorari and shows an intention to grant the writ only when the decree of the Court of Appeals is final. The present decree is clearly interlocutory, not only in time but in essence. It is not even in that intermediate group concerning which argument is possible.

II.**Plaintiff Is Real Party in Interest Under Equity Rule 37.**

The decree of the Court of Appeals is sufficiently supported by the new equity rules, particularly Rule 37, which provides that every action shall be prosecuted in the name of the real party in interest. The plaintiff is the sole person beneficially interested in the recovery in this suit. The plain intent of this rule is to dispense with merely nominal parties who have no substantial interest.

The rule clearly covers patent cases, as well as others, and, of course, dispenses with the need for joining, as under the old rules, a merely technical owner.

In this cause, the District Court wrote an opinion, 270 Fed. Rep., 587, expressing complete agreement with plaintiff's position, and granting the motion to dismiss only because of the novelty of the question and the desirability of having it promptly reviewed without undue expense to the parties. The reversal in the Court of Appeals thus amounts to an affirmation of the lower court's reasoning.

The following paragraphs from Judge Carpenter's opinion indicate clearly what his real feeling was:

"The real party in interest has brought the suit. Defendant claims that the owner of the patent is not a party. Such is not the fact. The owner of all the patent rights may not be a party, but the owner of all the patent rights necessary for a determinaton of this suit is the plaintiff. Equity rule 37 would seem to settle all difficulties on this point.

"I am of the opinion that as a matter of law the motion to dismiss should be overruled. There are, however, serious considerations which lead me to a different result in this case.

"For the purpose of enabling the parties to have justice speedily, and without any more purchase than

is absolutely necessary, I believe the motion to dismiss should prevail, and it is so ordered."

We thus find the District Court (Carpenter) and three Circuit Judges (Baker, Evans and Page) unanimously supporting the bill, largely upon the ground that under the new rules a patent suit may be maintained, even though the plaintiff has no technical legal title. That this is the correct interpretation of Rule 37 is shown by the unanimous decision of the Court of Appeals of the Sixth Circuit in *Kardo Company v. Adams*, 231 Fed. Rep., 950, 958, where the rule is discussed as follows:

"While that part of equity rule 37 (198 Fed., xxviii, 115 C. C. A. xxviii) taking effect February 1, 1913, providing that 'every action shall be prosecuted in the name of the real party in interest,' is not found in any previous equity rules made by the Supreme Court for the guidance of courts in equity cases, yet it is but the declaration of a rule in equity cases in the courts of the United States, which by statute of Ohio and generally in states which have adopted a code of civil procedure, prevails, and which, in cases at law, the courts of the United States follow."

It therefore follows that there is nothing of general public interest necessary to the decision of this case, and that there is really nothing in the case except a very rudimentary question of practice long settled by statute in the code states, to which the Federal equity practice has been made, in this respect, to conform. At best defendant's point is purely the technical one of non-joinder of a party plaintiff.

III.**Nature of Plaintiff's Rights Under the Patent Not Here
in Issue.**

Both in the lower court and in the Court of Appeals we discussed theoretically the nature of the plaintiff's rights under the patent in suit. This question may be of some interest but it is a secondary line of support for the bill, and is unnecessary to the support of the decree of the Court of Appeals and the reasoning of the opinion of the District Court. There is no good reason why this court should take the case, merely to consider an academic question, not necessary to the support of the decree, which is amply supported on other grounds. Of course, should the case be certified, we shall discuss fully, at the proper time, both the theories upon which the bill may be alternatively supported.

Conclusion.

For the foregoing reasons, it is urged that the petition for certiorari be denied.

W. H. DYRENFORTH,
GEORGE A. CHIRTON,

For Respondent.

RUSSELL WILES,

Of Counsel.

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WM. R. STANSBURY

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IN THE

SUPREME COURT OF THE UNITED STATES

OCTOBER TERM, A. D. 1921.

No.  240

CROWN DIE & TOOL CO.,

Petitioner,

vs.

NYE TOOL & MACHINE WORKS,

Respondent.

PETITIONER'S ARGUMENT AND BRIEF.

FLORENCE KING,

Solicitor for Petitioner.



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IN THE
Supreme Court of the United States

OCTOBER TERM, A. D. 1921.

No. 676.

CROWN DIE & TOOL CO.,

Petitioner,

vs.

NYE TOOL & MACHINE WORKS,

Respondent.

PETITIONER'S ARGUMENT AND BRIEF.

TO THE HONORABLE, THE SUPREME COURT OF THE UNITED STATES:

This suit was brought by the Nye Tool & Machine Works, a corporation of Illinois, against the Crown Die & Tool Co., also a corporation of Illinois, both doing business in Chicago, Illinois.

Bill of complaint filed by respondent herein in the United States District Court, Northern District of Illinois, charged petitioner with infringement of Letters Patent of the United States, No. 1033142, the entire right, title and interest in which was owned by the Reed Mfg. Co., of Erie, Pennsylvania, and prayed an injunction restraining "further infringement" of the patent, and for an accounting and damages.

The only evidence of title to the patent involved in this suit was a certain contract in writing identified as Exhibit "A," printed record, page 4, herein.

That in due order of pleading petitioner filed a motion to dismiss said bill of complaint (Tr. of Rec., pp. 6 and 7), giving notice in compliance with the statutes, and on February 3, 1921, a decree was entered dismissing the bill of complaint for want of equity.

The respondent herein appealed to the United States Circuit Court of Appeals on February 11, 1921, notice and citation were duly served, and said case was brought before the United States Circuit Court of Appeals in the Seventh Circuit for review and determination.

The case was heard before the Honorable Judges Baker, Evans and Page, in the United States Circuit Court of Appeals. On June 24, 1921, Judge Baker delivered the opinion of said court reversing the decree of the District Court: that said Circuit Court of Appeals filed its opinion in writing, the closing paragraph of which contained an order that the decree of the District Court be reversed (Tr. of Rec., pp. 20-24).

A petition for rehearing was then filed, and on October 27, 1921, said petition was denied.

Petition was then filed by the Crown Die & Tool Co., for a writ of certiorari to bring the case before this Honorable court for review and determination of the issues involved herein, which petition was granted.

A certified printed copy of the entire record of the case in the Circuit Court of Appeals has heretofore been filed in conformity to Rule 37 of this court relative to cases from Circuit Courts of Appeals. Said certified printed copy contains all of the proceedings had before the District Court and the Circuit Court of Appeals in said case.

STATEMENT.

There are two principal issues involved in this case, viz.:

1. That the complainant herein does not have legal title to the patent involved in this litigation, and therefore under section 4919, Revised Statutes of the United States, cannot maintain a suit for infringement.
2. That a Federal court does not have jurisdiction.

This is not a suit arising under the patent laws, the subject-matter of the litigation lacking the essentials to bring it within the statutes relating to patents, to give jurisdiction to the Federal court, and there being no diversity of citizenship, all parties being residents of the State of Illinois.

Sec. 629 of the U. S. Revised Statutes provides that:

"The Circuit Courts shall have original jurisdiction as follows: * * * Ninth. Of all suits at law or in equity arising under the patent or copyright laws of the United States."

This is a suit brought by the respondent against your petitioner (both parties being domiciled at Chicago, Illinois) upon a contract made by the respondent with the owner of patent number 1033142 to recover alleged profits and damages arising out of the assumed infringement of a patent by your petitioner, the entire right, title and interest to the patent involved being vested in parties who are not involved in the litigation. Respondent herein has no interest, either by grant or license—owns no right in the monopoly granted under Rev. Stat., Sec. 4884, to the owner of the patent, *to make use or vend* the invention in any part of the United States.

The bill of complaint filed by respondent in this case (Tr. of Rec., pp. 2-4) recites the application for and the granting of Patent No. 1033142 to the Reed Mfg. Co., which company undertook to convey to the respondent the right to sue for and collect any damages or profits which may have arisen or may arise by reason of the alleged infringement of said patent by your petitioner.

The written contract is set forth in full in the transcript of record (pp. 3-4), identified as "Exhibit A," represents all that the respondent in this case can claim under the patent in suit. This alleged transfer of an "interest" in the patent is clearly not an undivided part of the undivided patent, not an undivided part of the entire interest in the patent for a specified territory. Respondent therefore having less than the legal title to the entire patent, or an undivided part of the entire interest in a specified territory, has no right either to make use, or vend the patented machine, and cannot legally maintain a suit under the Federal laws for infringement of the patent.

If, in determining the issues in this case, questions of infringement or validity of the patent in suit should arise, they are ancillary to respondent's right of action, which is limited to the collection of the alleged unproven claims for damages and profits only. The Federal court therefore has no jurisdiction of the subject-matter.

Before filing suit in the District Court respondent assumed the validity of the patent in suit, which has never been in litigation, as definitely established; and respondent assumed in paragraph 4 of the bill of complaint (Br. Rec. 3) "that the defendant has infringed said patent within six years last past, by making, using and selling devices containing the invention of said patent and the claims thereof."

All the court was asked to do was to issue an injunction restraining "further infringement," and compel your petitioner to account for profits and pay damages to respondent, who has not now and never has had any right, title or interest in the patent in suit, subject to protection by injunction.

This suit is brought by a corporation having no legal or equitable title to the patent, but invokes the aid of the court to enforce against a competitor in business an assumed decree, and to issue an order enjoining your petitioner herein from "further infringement"; when the truth is that no infringement has ever been decreed against your petitioner.

Section 4884 of the Revised Statutes of the United States reads:

"Every patent shall contain a short title or description of the invention or discovery, correctly indicating its nature and design, and a grant to the patentee, his heirs or assigns, for a term of seventeen years of the exclusive right to make, use and vend the invention or discovery throughout the United States and the territories thereof, referring to the specification for the particulars thereof."

The certificate accompanying every patent granted by the United States contains the above language over the seal of the United States Patent Office and the signature of the Commissioner of Patents. The language of the statute is not ambiguous. The Supreme Court of the United States has repeatedly and uniformly defined a patent grant and held it to be just what the statute states it to be,—"the exclusive right to make, use and vend the invention throughout the United States and the territories thereof" for a period of seventeen years.

To enforce the exclusive right which the Government grants requires the owner to invoke the aid of the courts

if those rights are violated. Whether this case be argued under the old Equity Rules, which are now obsolete, or under the new Equity Rules, to find a pretext for the question presented to this court, should make no difference in the interpretation of the statute.

The first ground of dismissal of the bill is that respondent herein had no title to the patent sued on, and this was found sufficient for the dismissal of the bill in the District Court.

This case, wholly unlike a patent infringement suit, is built entirely upon a theory contrary to and in violation of the statutes of the United States, in denying what it is expressly stated the statute grants to the inventor, i. e., the exclusive right to *make, use and vend* his invention.

Respondent sought in this suit to negative the plain statement of the statute and distort its language to provide, in addition to the grant to the inventor or owner of the exclusive right, to *make, use and vend* the invention, an additional grant by which the inventor or owner of the patent might carve out of the patent a right alleged to be transferable to a third party, whereby suit for damages might be prosecuted without placing in jeopardy either the title or validity of patent involved.

Of course the owner of the patent must invoke the aid of the court to protect the exclusive right to make, use and vend granted to him if his rights are violated, just as it is necessary in all cases where redress is sought for wrongs and injuries of all kinds through the courts, but it is clear that the statute never contemplated parcelling out the remedy for violation of the patent grant to third parties, as a transferable "interest" in the patent.

Respondent has contended that the Patent System creates "rights to exclude" which are used for no other

purpose than to hamper or impede competitors and no plaintiff in a patent suit need apologize for his motives when he says frankly that he desires to use a patent right against a competitor.

The principal difficulty with respondent's suit is that it owns no patent right, and has not placed itself legally in position to test the validity of the patent in suit, which must be done before infringement can be decreed.

It was contended in the courts below that the Reed Manufacturing Company could maintain this suit and the defendant would have to defend. Respondent assumed a condition which was not before the court. The Reed Company owning the patent could bring suit for infringement, but the fact remains that the Reed Company has owned the patent ever since it issued, July 23, 1912, and has known petitioner was its competitor in the manufacture of dies, and never made any claim of infringement.

"Exhibit A" (Rec., pp. 4 and 5).

A careful analysis of "Exhibit A" discloses that there was an attempt made by the Reed Mfg. Company to transfer to the respondent herein:

First: "All claims recoverable in law or in equity whether for damages, profits, savings or any other kind or description which the Reed Mfg. Company has against the Crown Die and Tool Co., arising out of the infringement by the Crown Die and Tool Co. of the Wright and Hubbard Patent No. 1033142."

By the above clause in this document only the claims which the Reed Company might have against the Crown Die and Tool Co., are attempted to be transferred. No claim can possibly be recoverable in advance of a decree against the Crown Die and Tool Co., finding infringement; no such decree has ever been entered in any court or even sought by the legal owners of the patent.

Further, if such infringement had been decreed against the Crown Die and Tool Company, the parties herein being both domiciled in Chicago, the United States Court would be without jurisdiction in a suit for the recovery of such a claim.

Second: "For the same consideration, assigns and sets over all the rights which it now has arising from said patent of excluding the Crown Die and Tool Company from the practice of the invention of said patent, the intention being that in so far as concerns the exclusion of the Crown Die and Tool Company of said patent, the Nye Tool and Machine Works shall be vested with as full rights in the premises as the Reed Mfg. Company would have had had this assignment not been made."

There is no statute which defines such a "right" as is attempted to be conveyed by "Exhibit A." The Reed Company undertook to divest itself of a "right under said patent," and at the same time to retain all of the exclusive rights to *make use and vend* which the government granted by the issuance of the patent as defined in section 4884 of the Revised Statutes.

The conveyance or attempted conveyance by the Reed Company is clearly contrary to the spirit, the purpose and the language of the Patent Law.

Respondent attempted to create a new and divisible "right" in a patent by classifying the remedy for violation of the patent grant, as a "right to exclude" which "right" only exists in a patent by reason of ownership of the exclusive right to make use and vend, granted to the patentee, and to establish which the owner must first secure a decree finding infringement. Until infringement is decreed, no "right to exclude" can possibly exist even in the owner of the patent.

Third: "That the Nye Tool and Machine Works has the full right to bring suit on said patent, either

at law or in equity against said Crown Die and Tool Company and for its own benefit to exclude the Crown Die and Tool Company from practicing the invention of said patent and for its own use and benefit to collect damages which may arise by reason of the future infringement of said patent by the Crown Die and Tool Company."

Section 4919 of the Revised Statutes of the United States reads:

"Damages for the infringement of any patent may be recovered by action on the case in the name of the party interested either as patentee, assignee or grantee."

Respondent herein is neither *patentee, assignee or grantee*, and the "right to bring suit on said patent" which the Reed Company attempted to convey by the document identified as "Exhibit A" in this case is contrary to the statute and is therefore illegal, and void.

Equity Rule 37 cannot by the language "every action shall be prosecuted in the name of the real party in interest," be interpreted to override the statute and include other parties, than are specifically named therein.

Respondent herein being neither the *patentee, assignee or grantee* clearly cannot under the law justify an action in equity to restrain "the further infringement" of a patent in which it is not now and never has had any legal or equitable interest,—a patent for the infringement of which respondent cannot assert any right or sustain any injury.

If respondent attempted to *make, use or vend* the invention of the patent in suit, it would violate every right granted the patentee and be liable to a suit for infringement.

Federal Courts have repeatedly held Equity Rule No. 37 to mean by "the real party in interest" a party having a legal interest. See:

Consolidated Gas Co. v. Newton, 256 F. R. 238.

Coleman v. American Co., 235 F. 531.

Tutley v. Triangle Film Corp., 229 F. 297.

Goldsmith v. American Paper Collar Co., 2 F. 239.

Liberally interpreting "Exhibit A" it must be conceded that all that the Reed Company conveyed, or attempted to convey to appellant herein was the right to sue and recover damages and profits of a competitor. The Federal Court then is clearly without jurisdiction, respondent having a complete remedy at law in the State Court, if it has any cause of action.

Sec. 4921, R. S., enables a court of equity to protect a patentee and his legal representatives in the exclusive enjoyment of the right to *make, use and vend* the invention and respondent having no such right in the patent or invention, it has no "right" which a Federal Court of equity can protect.

To protect itself in the exclusive enjoyment of the right to *make, use and vend* the invention of the patent, the Reed Mfg. Company could bring suit in equity to protect its monopoly, but to retain the exclusive right to *make, use and vend* the device covered by the patent in suit and transfer to any one else the remedy for the alleged violation of that right, is clearly contrary to the statute and contrary to all previous decisions of this Honorable Court in cases involving this question.

The Supreme Court of the United States forty years ago definitely settled the question now before this court in the case of *Waterman v. McKenzie*, 138 U. S. 255, referred to on pages 35-36 in this brief.

Respondent contends that the Reed Company had the right to sell its claim for past damages. Petitioner contends that before such a claim could be sold or transferred it must first be determined whether or not the Reed Company has a claim for past damages by securing a decree finding the defendant guilty of infringement of the patent, which in this case has never been done, and which could only be done in a suit filed by the owner of the patent.

If the Reed Company had secured a decree and reduced its claim to judgment against defendant, there is no question but that that claim could be sold.

The language of Section 4884 of the Revised Statutes of the U. S. is clear. The Supreme Court of the United States has repeatedly held that a patent granted to the patentee the exclusive right to *make, use and vend* the thing patented; that the monopoly thus granted is one entire thing and cannot be divided into parts except as authorized by law, either the whole patent, an undivided part of the patent, or an exclusive right under the patent to do what the patentee could do within a specified territory.

That the owner of a patent, its validity once established by the court, has the right to exclude infringers is admitted; but that the "right to exclude" infringers before a decree finding infringement has been entered represents a right or a transferable interest in the patent, is denied.

The "right to exclude" is simply the *owner's* right of action for trespass by an infringer which is inherent and inseparable from ownership of the patent or franchise itself.

The imaginative theory upon which this case is founded, if sustained, would establish a precedent which would not only permit any one to arbitrarily assume the

function of the court in declaring a patent valid and infringed, but would go further; it would permit any one desiring to involve a competitor in prolonged and expensive litigation to do so, if he could find the owner of a patent, no matter whether the patent is valid or not, who would, as evidenced by "Exhibit A" in this case, transfer an imaginative "right to exclude" a competitor.

The purchaser of the alleged "right to exclude" could then settle all questions as to the title, validity and infringement of the patent, proceed to collect alleged damages and profits from his competitor, and for an indefinite length of time annoy and harass any competitor whom he might desire to force out of business by endless litigation.

That ownership of title is necessary to support a suit in equity is well settled in

Gaylor v. Wilder, 10 Howard 477

Waterman v. McKenzie, 138 U. S. 252.

Goldsmith v. American Paper Collar Co., 2 F. R. 239.

Pope Mfg. Company v. Gormully Mfg. Co., 144 U. S. 248, and

Other cases hereinafter referred to.

In *Hayward v. Andrews*, 106 U. S. 672, the court held:

"An assignee of chose in action, as a patent right, cannot proceed by a bill in equity to enforce for its own use the legal right of his assignor merely because he cannot sue in his own name."

The Supreme Court of the United States has repeatedly and uniformly defined the patent grant. Respondent is now before this court with a suit to define what a patent grant is not.

No decisions were presented in previous hearings of this case to show that the "right to exclude" exists apart

from ownership of the patent itself as contended for respondent. It is obvious that it was never the intention of Congress, in granting a patent to one person, to grant to another the remedy for violation of that patent grant.

The Issues in This Case.

The issues in this case involve the construction and interpretation of the Constitution of the United States and of the Federal Statutes, and depend, for a full determination of the rights of the parties to the suit, upon the construction and interpretation of Article 1, Sec. 8, Constitution of the United States, and of Sections 629, 4884, 4919 and 4898 of the Revised Statutes of the United States.

The Constitution of the United States, Art. 1, Sec. 8, provides that:

“The Congress shall have power to promote the progress of science and useful arts by securing for limited times to authors and inventors, the *exclusive right* to their respective writings and discoveries.”

The spirit and purpose of this section of the Constitution has always been interpreted to stimulate the making of inventions designed to be used for public benefit, and not for the purpose of enabling the inventor or owner of a patent to parcel out and sell to others “rights to exclude” for the sole purpose of promoting litigation and thereby suppressing competition in business. The contract forming the basis of this suit exemplifies the attempted creation of a new monopoly under the patent grant, whereby one manufacturer may harass a competitor by expensive litigation involving a patent, the legal title to which is owned by parties not in court, and a decree respecting which would not be binding upon the

owner. The effect of such litigation would be truly to prevent instead of "promote the progress of science and useful arts," as contemplated by the Constitution.

Section 4884 of the Revised Statutes of the United States provides that:

"Every patent shall contain . . . grant to the patentee, his heirs or assigns for a term of seventeen (17) years of the *exclusive right* to make, use and *vend* the invention or discovery throughout the United States or the territories thereof."

The contract, "Exhibit A," which forms the basis of this suit, shows that the respondent herein is not in possession of any of the "*exclusive rights* to make, use or vend" granted by the patent in suit, and therefore has no interest in the patent which a court of equity can protect.

The "right" which was attempted to be conveyed in "Exhibit A" can find no authority for its existence under the statutes of the United States which created the patent, and legally the right to sue for infringement does not exist apart from ownership.

Parties cannot by their own agreement change the rule of law, which under Revised Statutes, Sec. 4919, is:

"Damages for the infringement of any patent may be recovered by an action on the case in the name of the party interested, either as patentee, assignee or grantee."

Under the decisions of this court, it has been uniformly held in the construction and interpretation of Sec. 4919, Rev. Stat., that the word "assignee" is used to mean the "*assignee of patent rights*," and does not extend to the assignment only of unproven claims for damages and profits which may accrue to the owner out of an alleged infringement of the patent.

This suit is not in the form of an "action on the case for damages," but clearly in the form of a bill in equity

seeking to restrain an alleged infringement, and praying an injunction against your petitioner restraining further alleged infringement of a patent owned by parties not in court; without requiring the court to find title in respondent, or validity and infringement of the patent, all of which the law requires to be done before damages can be assessed.

The learned Judge of the Circuit Court of Appeals who rendered the opinion in this case has held in a former decision to which reference is made herein (pp. 40-42), that the patent monopoly is created by the Act of Congress, and no rights can be acquired in it unless authorized by statute and in the manner therein prescribed.

If there is a statute defining "the right to exclude," as a "property" right which is "made devisable and assignable at the will of the owner," no reference is made to that statute in the entire record in this case in support of respondent's contention nor in the opinion of the Circuit Court of Appeals.

The Circuit Court of Appeals erred in this case in holding—

"Jurisdiction in equity to enjoin trespasses upon property is unquestionable. When that equitable jurisdiction is invoked, the Chancellor will hear and determine in the same suit the matter of damages that accrued from the trespasses during the plaintiff's ownership of the property and within the period of limitations."

This being a case which does not arise under the patent laws, equity cannot take jurisdiction simply because respondent filed this bill and attempted to invoke the aid of a court of equity to enforce an unconscionable contract under the guise of a suit for infringement in an attempt to collect damages in advance of establishing infringement.

Respondent owned the contract on which suit is brought just ten days prior to filing suit. Damages accruing during that period of ownership would not amount to enough to give the court jurisdiction; and respondent's "rights" extend only to prospective claims of damages and profits. The Federal Court, under Rev. Stat. 629, has no *original jurisdiction* of the subject-matter.

Sec. 4919 does not confer upon parties having neither the right to *make, use or vend* the patented machine the right to test the validity of a patent owned by parties who are not in court.

The Circuit Court of Appeals in its opinion in this case refers to the inventor's natural or common law right, and states:

"It is clear to a demonstration that the natural or common law right and the statutory right are separate and independent. Neither infringes upon the other."

An inventor can make, use and sell his invention under his common law right, but he cannot enjoin others from making, using and selling the same thing. It is the ownership of the patent grant which enables him to enforce his "rights of exclusion"; apart from ownership he would stand in precisely the same position as when practicing the invention under his natural or common law right.

Congress has enacted no statute enabling the owner of a patent to transfer greater or different rights than the inventor possessed without the patent. In the present case respondent owns no rights to the invention covered by the patent, but if permitted to maintain this suit, respondent will be doing, without any of the rights granted to the patentee, what the inventor could not do without the patent grant.

The Circuit Court of Appeals erred in this case in holding—contrary to all precedents heretofore established by this court—that a complainant who has no right, title or interest in a patent can maintain a suit for infringement of that patent; the owner of the legal title to the patent involved herein is not a party to the litigation.

Section 4898 of the Revised Statutes provides that:

“Every patent or any interest therein shall be assignable in law by an instrument in writing.”

The Circuit Court of Appeals (p. 23, Rec.) has interpreted this section of the Federal Statute to include the patent owner's imperfect, incorporeal “right to exclude” as a “property” which may be made divisible and assignable at the will of the owner.

This is a travesty upon every rule of law heretofore established by this Honorable Court in considering and interpreting Section 4898, Rev. Stat.

If this decision is affirmed, it will establish a new and dangerous precedent whereby the patent owner's imperfect, incorporeal, right to exclude may be transferred, independently of the statutory

“grant to the patentee, . . . of the exclusive right to make, use and vend the invention.”

This would enable a non-owner to indirectly utilize the “exclusive rights to make, use and vend” granted by the Government, for the sole purpose of promoting litigation to prevent competition in business.

Contract “Exhibit A” forming the basis of this suit does not grant to respondent the right to test the validity of the patent on which suit is brought; nor to determine the question of whether or not the machines manufactured by your petitioner infringe the Reed patent

in suit; decision of these questions are conditions precedent to the right to any damages, even though the patent owner was complainant.

The vast sums of money claimed to be due by the respondent, Nye Tool and Machine Works, of your petitioner by reason of this contract and the finding of the Circuit Court of Appeals, and the peril to your petitioner's entire property, assets and business, under claims made by reason of this decision of the Circuit Court of Appeals, makes this case not only a matter of gravity and importance to your petitioner, but it would establish a dangerous precedent, jeopardizing the value of patent grants, and would precipitate endless litigation of this nature in the future.

Since the decision of the Circuit Court of Appeals in this case, and pursuant to the finding of said court, the respondent, Nye Tool and Machine Works, filed a second suit, an action at law in the same District Court, against your petitioner, in which the amount of damages asked of your petitioner is two hundred fifty thousand dollars (\$250,000). In that case, as in the present case, respondent assumes all facts as to the validity and infringement of said letters patent to have been adjudicated, and prays an assessment of damages against your petitioner, amounting, if such demands are recognized, to a sum equal to more than the entire property assets of your petitioner.

It is respectfully submitted that this entire proceeding is contrary to law and equity, and in the interest of justice and well settled legal principles, the patent laws of the United States should not now be reversed.

The record in this case is clear that the present legal owner of the patent does not bind itself not to sell said patent, and any future owner of the patent would have

the same recourse to protect the exclusive rights to *make, use and vend* the invention that its present owner has, and could proceed to enforce those exclusive rights through the courts against your petitioner if it so desired.

Petitioner has a right under well-established rules of law to be placed in position to have settled for all time in one litigation any question respecting the alleged charge of infringement. No decree entered in the present case would be binding upon the Reed Mfg. Company, legal owner of the patent in suit. Law and equity demand that all who have rights in the subject-matter in controversy shall be parties to the suit, in order that there be an end to litigation.

In the present suit an attempt is made to divide the patent into fractional interests which, it was represented on behalf of respondent and considered in the court below, was an effort to institute a new method or system of handling patent interests, designated on behalf of respondent as a division of the patent rights on "personal lines." By way of explanation it was represented on behalf of respondent at previous hearings of this case that the authorities cited by your petitioner contained expressions made by courts without having in view this new way of dividing the patent; that the court's mind seemed inconsistent with the validity of the contract "Exhibit A"; but, it was contended on behalf of respondent, those expressions of the court were *unimportant* because based upon situations not only different in fact, but different in principle from the present case.

The statutes of the United States have repeatedly defined the different interests in a patent which are transferable, as (1) a transfer of the whole patent; (2)

of a territorial fraction of a patent; or (3) an undivided interest in the whole patent.

The issues here are based upon respondent's attempt to create and litigate a fourth interest in a patent which has never heretofore been recognized to exist separate from the patent grant.

It is the contention of petitioner:

First, that without amending the Constitution which specifically provides for the *promotion* of science and the useful arts, by an enactment granting power and authority to certain persons to prevent competition in the promotion of science and the useful arts, this suit cannot be legally maintained; and

Second, without creating statutory authority whereby the right of protection may be divided into a separate estate, transferred, and utilized by outside parties to promote litigation against competitors, such a contract or instrument as "Exhibit A" can have no legal status in a court of justice.

The learned judge who rendered the opinion of the Circuit Court of Appeals, referring to Sec. 4898, R. S. (Opinion, p. 23), stated:

"Congress, having full constitutional power over the subject, could have provided that a patent should be non-assignable, or, if assignable, that it should be assigned only as an entirety."

But Congress did not so provide.

It would likewise logically follow that Congress, having full constitutional power over the subject, instead of reciting in each patent grant that:

"The letters patent are to grant . . . the exclusive right to make, use and vend the said invention throughout the United States and territories thereof."

Could have provided that:

"These letters patent are to grant . . . the exclusive right to exclude all other persons from making, using and vending the said invention. . . ."

But Congress did not so provide.

It is clear that the purpose of Congress was to *promote*, and not to *prevent*, the development of inventions through the medium of the patent grant, and not to stimulate litigation between manufacturers.

It is respectfully submitted that the issues of this case presented by the respondent are in violation of the Constitution of the United States, the acts of Congress respecting the rights of owners of patents, and of every principle of equity founded thereon.

The decision of the Circuit Court of Appeals should be reversed because it failed to follow or to give force or effect to the well established rules of law and decisions of this court on the legal propositions involved, as they are set forth herein, which include on pages 40-42, reference to a decision previously made by one of the judges who decided the present case, wherein Sec. 4919, R. S. was given an entirely different interpretation than is now given to it. See *Blair, et al. v. Lippincott*, 52 F. R. 226.

The effect of the decision of the Circuit Court of Appeals in this case could only be to generally discourage invention and the commercial development of patented articles.

Respondent seeks by this litigation to enlarge the patent monopoly, whereby the owner of a patent may not only retain the whole of the "exclusive right to make, use and vend" the invention, but may also simultaneously transfer the remedy for the violation of the

right of making, using and vending the same invention, separate and apart from the patent grant.

It is contended on behalf of petitioner that there is a basic principle involved in this litigation which strikes at the heart of industrial development. This expansion of the patent monopoly, if upheld by the Supreme Court of the United States, would be of great value to large manufacturers of patented devices, as it would provide an entirely new weapon with which to annihilate competition. A sufficient investment in patent litigation would enable any manufacturer to so involve competitors in patent litigation that their business would become unprofitable. Thus, in effect, the new monopoly now sought to be extracted from the patent grant would operate in restraint of trade, and would stifle and destroy free competition.

If not reversed, the decision herein will establish a precedent of great concern to all manufacturers of patented articles, and which undoubtedly comes within that class of cases which the Supreme Court has repeatedly held to be of great public concern; one which involves the interpretation of our patent laws, either upholding precedents heretofore established by this court, and uniformly followed by all Federal Courts, or it will form a new precedent which will create a basis for endless patent litigation.

The jurisdiction of the court in this case can be determined only by an interpretation of the Federal Statutes granting original jurisdiction to Federal Courts in all cases arising under the patent laws.

It is contended on behalf of petitioner that this is a suit on a contract, and is not a case arising under the patent laws, and, therefore, the parties to the suit, all being residents of the State of Illinois, the Federal Court has no jurisdiction.

Osborn v. Bank of U. S., 9 Wheat. 738:

"If, from the questions, it appears that some title, right, privilege or immunity on which the recovery depends will be defeated by one construction of the constitution or a law of the U. S., or sustained by the opposite construction, the case will be one arising under the constitution or laws of the United States within the meaning of that term as used in the act of 1885, otherwise not. Such is the effect of the decision on this subject."

In the present case, if the Constitution and the Revised Statutes are given the interpretation heretofore established by this court, the respondent herein would have no cause of action against this petitioner; but under the interpretation given to the Revised Statutes, especially Sec. 4919 thereof, by the Circuit Court of Appeals for the Seventh Circuit, a new precedent is established which admits the jurisdiction of the Federal Court and at once is in conflict with previous decisions of this court.

Albright v. Teas, 106 U. S. 550:

"The only complaint made in the bill is that the appellants were fraudulently excluding the appellee from an inspection of their books of account, and refused to pay him sums due for royalties under his contract. And the prayer of the bill was for a discovery, an account of what was due appellee under his contract and a decree for the amount found to be due him. *On the face of the bill therefore, the case is not one arising under the Patent Laws of the United States.*

"It does not appear that there is any dispute whatever between the parties in reference to the construction of the patents of the appellee. The controversy between them is stated by the appellants themselves, is whether certain goods manufactured by them embodied the invention covered by appellant's patents. This does not necessarily involve the construction of the patents. . . . The case cannot therefore be said to be one which grows out of the legislation of Congress. Neither party asserts any right,

privilege, claim, protection, or defense founded in whole or in part on any law of the United States. We are therefore of the opinion that even if we go outside the pleadings and look into the testimony, the case is not one arising under the laws of the United States, and consequently that the courts of the United States had no jurisdiction to entertain it."

Excelsior Wooden Pipe Co. v. Pacific Bridge Co., 185 U. S. 282, the court held:

"If a bill be brought to enforce or set aside a contract, *though such contract be connected with a patent, it is not a suit under the patent laws* and the jurisdiction of the Circuit Court can only be maintained upon the grounds of diversity of citizenship."

In *Pratt v. Paris Gas Light Co.*, 168 U. S. 62, the court held:

"The action under consideration is not one arising under the Patent Laws of the United States in any proper sense of the term. *To constitute such a case, the plaintiff must set up some right, title or interest under the patent laws, or at least make it appear that some right, or privilege will be defeated by one construction, or sustained by the opposite construction of those laws.*" *Starin v. City of New York*, 115 U. S. 248

Germania Ins. Co. v. Wisconsin, 119 U. S. 473:

"There is a clear distinction between a *case* and a *question* arising under the Patent Laws. The former arises, when the plaintiff in his opening pleading, be it a bill of complaint, or declaration, sets up a *right* under the patent laws as ground for the recovery. Of such the State Courts have no jurisdiction. The latter may appear in the plea or answer, or in the testimony. The determination of such a question is not beyond the portent of the State tribunals.

"While the question has never arisen in this Court in the exact form presented in this case, *we have repeatedly held that the Federal Courts have no rights, irrespective of citizenship to entertain suits for the*

amount of an agreed license or royalty or for the specific execution of a contract for the use of a patent, or of other suits where the subsisting contract is shown governing the rights of the party in the use of the invention, and that such suits not only may, but must, be brought in the State Courts."

The present suit comes under the law as stated by this court in *Defiance Water Company v. Defiance*, 191 U. S. 184:

"It must appear in the record, by a statement in legal and logical form, such as is required in good pleading that the suit is one which does really and substantially involve a dispute or controversy as to a right which depends on the construction of the Constitution or some law or treaty of the United States, before jurisdiction can be maintained on this ground.

"We regard this bill as an attempt to evade the discrimination between suits between citizens of the same state, and suits between citizens of different states established by the Constitution and laws of the United States, by bringing into the Circuit Court controversies between citizens of the same state, and an evasion which it has been the constant effort of Congress and this court to prevent. *Bernard's Township v. Stebbins*, 109 U. S. 341; *Shreveport v. Cole*, 129 U. S. 36.

"The decree is reversed at appellant's cost and the case remanded with instructions to dismiss the bill for want of jurisdiction."

In *Shreveport v. Cole*, 129 U. S. 36, this court held:

"In cases originally brought in the Circuit Court or by removal from the state court, it is made the duty of the state court to dismiss or remand the same whenever it appears that the suit does not really and substantially involve a dispute or controversy properly within its jurisdiction, or that the parties to the suit have been improperly or collusively made or joined either as complainants or defendants for the purpose of creating a case cognizable or removable. As remarked in *Bernards v. Stebbins*, 109 U. S. 353, it has been the constant effort of Congress and of this

court to prevent the discrimination in respect to suits between citizens of the same state and citizens of different states established by the Constitution and laws of the United States, from being evaded by bringing in the Federal Courts controversies between citizens of the same state. We regard this suit as an evasion of that character. The judgment of the Circuit Court is reversed and the case remanded with directions to dismiss the petition."

The bill of complaint filed by respondent in the Federal Court does not pray the court for a decree finding legal title to the patent in suit in complainant, or that the patent is valid, or that the patent is infringed; but does pray for an injunction to protect property rights vested by law in parties not in court, and for assessment of damages and profits against the defendants.

Requirements for Injunctive Relief in Patent Cases.

Injunctive relief in equity will be granted to prevent an injury to the rights or property of complainant, and it is incumbent upon a complainant demanding a writ of injunction to restrain a defendant from alleged infringement of a patent, that said complainant must come into court with an interest showing a *legal right* under the patent which is subject to protection by injunction, and showing also that the true purpose for the writ is one appealing to a court of equity.

In the present suit the patent involved is owned by the Reed Mfg. Company who is not in court and, as will be seen by reference to the contract, "Exhibit A," has not transferred any of the exclusive rights to *make, use and vend* the device of the patent to the respondent, which would be subject to protection by injunction.

Nye Tool and Machine Works, respondent, on the other hand, owning no legal interest in the patent, is attempt-

ing, with the aid of a court of equity, to secure an injunction restraining your petitioner from *making, using and vending* machines which are alleged to infringe the patent owned by the Reed Mfg. Company.

In prosecuting this suit, the respondent has assumed the legal status of the owner of the patent grant, and asks the court to so recognize this alleged status, failing to apprehend the fact that a purchaser who buys from the patentee the naked right to promote litigation by bringing suit to collect damages and profits in advance of an adjudication of the legal rights involved is not by law given the legal status of the patentee or owner.

The patentee at the time his patent issues has a natural right to practice his invention, and his patent monopoly permits him to protect his right by excluding all others.

The patent vests in the owner two things which are vital to his standing in a court of equity, *i. e.:*

- (1) The exclusive right to *make, use and vend* the invention; and
- (2) The equitable remedy by injunctive relief for the violation of that right.

The granting of the patent took away from all others, save the patentee and his assigns, the right to *make, use and vend* the invention, and as the injunctive relief is *solely for the protection of the patent owner against violation of these exclusive rights*, it is not and cannot be a property separate and divisible from the patent at the will of the owner. If, as in the present instance, it is to be separated and divided from the patent, the owner of the patent is—in advance of a violation of his exclusive rights—selling the remedy incidental to the protection of the “exclusive right to *make, use and vend*,” retaining all of the exclusive rights of the patent grant.

This is contrary to the spirit and purpose of the Constitution and of the Revised Statutes of the United States respecting the patent grant.

Respondent herein is not entitled to maintain an action which might result in having the letters patent herein declared invalid, and no cause of action entitling respondent to such relief is stated.

Every suit charging infringement of a patent requires the court to decide three essential facts before a writ of injunction will issue, viz.:

1. That the complainant is owner of the legal title;
2. That the patent is valid;
3. That the patent has been infringed by the defendant.

The prayer for relief in the present case (Trans. of Rec., p. 4) does not ask the court's decree as to title, validity or infringement of the patent.

These three points *must* be decided in the affirmative before the *owner* of a patent is entitled to injunctive relief in a court of equity. From the record in this case it is plain that these points are not to be adjudicated in this suit.

It is therefore conclusive that this is not a suit arising under the patent laws. Also it is not a case, the parties being residents of the same state, coming within the jurisdiction of a Federal Court.

In the court below respondent interpreted the document "Exhibit A" (Rec. 4-5) as an assignment transferring to respondent herein an "interest" in the patent, and attempted to bring respondent within the requirements of Equity Rule 37 as "the real party in interest."

While Equity Rule 37 provides that

"every action shall be prosecuted in the name of the real party in interest,"

the clear purpose of this rule is to prevent the necessity of joining as parties those who have merely a pecuniary interest in the action. It cannot be assumed that the Supreme Court had for its purpose to render R. S. Sec. 4919 inoperative and to change the whole meaning of its prior decisions defining what "interest" is meant. An interpretation of the rule as set forth in numerous cases plainly shows that the "interest" asserted by a plaintiff under Sec. 4919, Rev. Stat., must be a *legal interest in the patent grant*.

In *Moore v. Marsh*, 7 Wallace, 515, this court decided who are "parties interested":

"Correct interpretation of the words, 'person or persons interested,' is that the words mean the person or persons interested in the patent at the time when the infringement was committed, which is the cause of action for which the damages may be recovered."

And in *Gaylor v. Wilder*, 10 Howard, 469:

"Unquestionably, a contract for the purchase of any portion of the patent right may be good as between the parties as a license and enforced as such in the courts of justice. But the *legal right in the monopoly remains in the patentee and he alone can maintain an action against a third party to contest an infringement upon it.*" Following *Blanchard v. Eldridge*, 1 Wal. 337.

To hold that respondent in the present case had a legal "interest" in the patent monopoly would be contrary to all previous decisions.

In *Pope v. Gormully Mfg. Co.*, 144 U. S. 238, the plaintiff owned an exclusive right to *make, use and vend* the invention with respect to a feature forming a most important part of the patent; but the court held that such right did not give him an "interest" necessary to enable him to maintain a suit for infringement.

Respondent contended in the court below that the assignment in that case did not purport to give the assignee the right to exercise all three rights granted by the whole patent; it certainly did give to the assignee all three rights of making, using and vending the device covered by the claim in question.

In the present instance respondent does not own even one of the three rights to any of the claims granted by the patent involved in this suit.

In order to find an apparent excuse for bringing this action in the Federal Court, an interpretation is placed upon Equity Rule 37 which is contrary to Sec. 4919 of the Rev. Stat., and which cannot under any previous decisions of this court, be maintained.

The Law in This Case.

The legal questions to be determined in this proceeding are two-fold, *i. e.*, (1) the lack of title of the respondent to the patent in suit, and (2) the jurisdiction of the court.

A complainant having no legal interest in the subject-matter of the litigation cannot maintain a suit in equity. This court said in *Davis v. City of Los Angeles*, 189 U. S. 209:

“This was a bill in equity filed in the Circuit Court for the South District of California, by appellant, a citizen of Mass. to restrain the City of Los Angeles and its officers from enforcing certain municipal ordinances prohibiting the erection or maintenance of gas tanks or reservoirs within certain portions of the city.

“The demurrer was filed to the bill by the city for want of equity and of jurisdiction which was sustained by the court and the bill dismissed.

“As the appellant has shown no *legal interest* in this litigation and no lack of a complete and ade-

quate remedy at law it results that the bill was properly dismissed and the decree of the court below is affirmed."

To permit respondent to prosecute this suit in a Federal Court, under the guise of a suit for infringement of patent rights, will require a different interpretation of the Revised Statutes of the United States than has been heretofore made by this court.

Robinson on Patents, Vol. 3, p. 123:

"An infringement is an invasion of the monopoly granted by the patent and the law which defines and authorizes this monopoly confers *only upon its legal owners* the right to institute proceedings for its violation."

Page 131:

"The right of action cannot be conveyed separately from the patent since this would confer the ability to sue for an infringement any other persons than those named in the statute as the legal owners of the monopoly."

On behalf of the respondent in the court below it was contended that as courts of equity had created the whole right to assign choses in action, there seemed to be no logical or sound reason why the present assignment should not be considered as perfectly proper in equity.

Courts have classified choses in action as assignable and non-assignable, and clearly the contract forming the basis of the present suit is based upon a non-assignable chose in action.

In *Hayward v. Andrews*, 106 U. S. 672, the Supreme Court settled that question:

"An assignee of a chose in action, as a patent right cannot proceed by a bill in equity to enforce for its own use the legal right of his assignor merely because he cannot sue in his own name."

In accordance with the above clearly the respondent herein has no legal "rights" which it can enforce against petitioner in this action. In urging this contention in the court below respondent presented no decisions supporting its right to bring suit upon a chose in action.

In *Gordon v. Anthony*, 16 Blatch. 234, this court held:

"Equity jurisdiction in patent cases is conferred by sections 629, 711 and 4921 of the Revised Statutes, notwithstanding the patent may have expired before suit is brought, and no injunction could be granted."

"No person can bring a suit for profits or damages for infringement who is not the patentee or such an assignee or grantee as the statute points out."

"A claim to recover profits or damages for past infringement cannot be severed from the title by assignment or grant so as to give a right of action for such claim in disregard of the statute."

"The profits or damages for infringement cannot be sued for except on the basis of a title as patentee, or as such assignee or grantee to the whole or part of the patent, and not on the basis merely of a right to a claim for profits and damages severed from such title."

From the above decision there can be no doubt that the legal title to the patent must be represented in a suit for infringement.

DeForest v. Collins Wireless Telephone Co., 174 F. R. 821.

The right to sue on a patent is not a matter of contract, but is the creature of and can only exist as authorized by statute.

In the above case the court said:

"It does not appear from said bill of complaint that the complainant herein has such title or interest in or under the Letters Patent herein sued upon as to enable him to maintain suit against this defendant."

"The case at bar is controlled by *Pope Mfg. Co. v. Gormully Mfg. Co.*, 144 U. S. 248. In this case Mr. Justice Brown discusses *Gaylor v. Wilder*, 10 Howard 477 (the leading case upon this subject), and *Waterman v. MacKenzie*, 138 U. S. 252, and reaffirming the principle of law therein enunciated held as follows:

"The monopoly granted by law to a patentee is for one entire thing, and in order to enable an assignee to sue for an infringement, the assignment must convey to him the entire and unqualified monopoly which the patentee holds in the territory specified."

"In that case the complainant claimed title from the patentee under an instrument using as apt terms of sale and assignment as those used in the case at bar but as was said by Justice Gray in *Waterman v. MacKenzie*, *supra*, page 256 of 138 U. S."

"Whether a transfer of a particular right or interest under a patent is an assignment or a license, does not depend upon the name by which it calls itself, but upon the legal effect of its provisions."

"In the case cited as controlling the conveyance did not embrace the entire monopoly, but was limited to so much of the patent as related to or covered the adjustable hammock seat or saddle. It was held that this limitation made the conveyance a mere license. This limitation and its legal effect are indistinguishable from those found in the case at bar, in which the complainant did not obtain the patentee's invention in connection with the wireless telegraph work, but only that which related to telephone work and communication. By this limitation the contract is but a license."

"The complainant being a licensee, and not an assignee, cannot maintain an injunction bill in his own name unless (as is contended in his behalf) the authority contained in the license, viz.: together with the right to sue for and collect damages and royalty, past or future for the infringement of said patents, etc., gives him the right so to sue."

"Assuming for argument's sake that the capacity to sue is a matter of contract, it is to be noted that this clause does not expressly authorize a bringing of suits to enjoin infringements. By its own terms it is

limited to bringing suit for damages and royalty and this can be done only in any action at law.

"A patent right is a creature of the federal law and no rights can be acquired in it, unless authorized by statute and in the manner the statute prescribes. Gaylor v. Wilder and Waterman v. MacKenzie, supra."

Sec. 4898, Rev. Stat., 3 U. S. 1901, page 3387, 5 Fed. St. Ann. 531, provides that:

"Every patent or any interest therein shall be assignable in law by an instrument in writing, and the patentee or his assignee or legal representatives may in like manner grant and convey an exclusive right under the patent to the whole or any specified part of the United States."

"By section 4919, Rev. Stat., 3 U. S. Comp. St. 1901, page 3394, 5 Fed. Stat. Ann. 552:

"Damages for infringement of any patent may be recovered by action on the case, in the name of the party interested, either a patentee, assignee, or grantee."

"Grants as well as assignments must be in writing, and they must convey the exclusive right under the patent to make and use and vend to others to be used, the thing patented, within and throughout some specified district or portion of the United States and such right must be exclusive of the patentee as well as all others except the grantee." Moore v. Marsh, 7 Wallace, 515.

"It was obviously not the intention of the legislature to permit several monopolies to be made out of one, and divided among different persons within the same limits. Such a division would inevitably lead to fraudulent impositions upon persons who desired to purchase the use of the improvement, and would subject the party under a mistake as to his rights, use the invention without authority be harassed by a multiplicity of suits, instead of one, and to successive recoveries of damages by different persons holding different portions of the patent right in the same place."

"Unquestionably a contract for the purchase of any portion of the patent right may be given as be-

tween the parties as a license, and enforced as such in the courts of justice. But the legal right in the *monopoly remains in the patentee, and he alone can maintain an action against a third party who commits an infringement upon it.* *Demurrer sustained.*"

In *Waterman v. MacKenzie*, 138 U. S. 255, this court said:

"Every patent issued under the laws of the United States for an invention or discovery contains a grant to the patentee, his heirs and assigns for a term of seventeen years, of *the exclusive right to make, use and vend the invention or discovery throughout the United States and the territories thereof.* Rev. St., Sec. 4884. The monopoly thus granted is one entire thing, and cannot be divided into parts except as authorized by those laws.

"The patentee or his assigns may, by instrument in writing assign, grant and convey, either:

"1. The whole patent, comprising the exclusive right to make, use and vend the invention throughout the United States, or

"2. An undivided part or share of that exclusive right; or

"3. The exclusive right under the patent within and throughout the specified part of the United States.

"A transfer of either of these three kinds of interests is an assignment, properly speaking, and vests in the assignee a title in so much of the patent itself with the right to sue infringers. In the second case, jointly with the assignor. In the first and third cases, in the name of the assignee alone. Any assignment or transfer short of one of these, is a mere license, giving the licensee *no title in the patent and no right to sue at law in his name for an infringement.* Rev. Stat. 4919; *Gaylor v. Wilder*, 10 Howard, 477; *Moore v. Marsh*, 7 Wall. 515."

"*In equity, as at law*, when the transfer amounts to a license only, the title remains in the owner of the patent, and suit must be brought in his name, and never in the name of the licensee alone, unless that is necessary to prevent an absolute failure of

justice as where the patentee is the infringer and cannot sue himself. Any rights of the licensee must be enforced through or in the name of the owner of the patent, and perhaps, if necessary to protect the rights of all parties, joining the licensee with him as a plaintiff. Rev. Stat. 4921."

Littlefield v. Perry, 21 Wall. 205.

Paper Bag Cases, 105 U. S. 766.

Birdsell v. Shaliol, 112 U. S. 485.

"Whether a transfer of a particular right or interest under a patent is an assignment or a license does not depend upon the name by which it calls itself but upon the legal effect of its provisions.

. . . On the other hand, the grant of an *exclusive right* under the patent within a certain district which does *not* include the *right to make*, the *right to use* and the *right to sell* is *not* a grant of a *title* in the whole patent right within the district, and is therefore only a license."

In *Goldsmith v. The American Paper Collar Co.*, 2 F. R. 239, the court held:

"An action for infringement of a patent must be brought in the name of the real and beneficial party in interest.

"This is a suit in equity brought for the infringement of letters patent granted to Charles Spofford and James H. Hoffman. . . . That Spofford after the grant of the patent entered into an agreement in writing with the plaintiff, Goldsmith, whereby among other things he appointed Goldsmith as attorney, and in his place or stead to commence, prosecute, compromise, settle, release, conclude and enforce, by suit at law in equity any infringement of the rights secured to him, said Spofford, by said patent by defendant, of such suits to be brought in the name and at the cost of said Goldsmith; that Spofford thereby expressly agreed that he would not do in respect to the defendant any of the acts which he thereby authorized Goldsmith to do; that Goldsmith is the sole and lawful person to bring the bill as to the interest in the patent vested in Spofford; that Hoffman and Spofford will receive large profits from the patent if infringement by the

defendant be prevented. It prays for a recovery of profits and of damages. The bill is demurred to because Spofford is not made a party, and because Goldsmith is made a party."

"It is provided by Section 4919, of the Revised Statutes that:

"Damages for the infringement of any patent may be recovered by action on the case in the name of the party interested either as patentee, assignee or grantee."

"Jurisdiction is given to the Circuit Court, by Section 629, of all suits in law or in equity arising under the patent laws.

"It is provided by Section 4921 upon a decree being rendered in any case for an infringement complainant shall be entitled to recovery in addition to the profits to be accounted for by the defendant, the damages the plaintiff has sustained thereby.

"The clear purport of this provision is that the party in interest must bring the suit whether at law or in equity, in his own name, and cannot delegate the right to another person to bring the suit in the name of such other person, when the suit is not for the benefit in any way of such other person. It is a question of *public policy*. The defendant has a right to require that the real name or party in interest shall be in court, so that the court may exercise a control over him, in the course of the suit, if necessary to require him to do something which the rights of the defendant may require to be done. Goldsmith has no control as to the patent, or anything to be done under it, except to bring suits in respect to Spofford's interests.

"There is another respect to which it is against *public policy* to permit a suit like this to be brought. Goldsmith appears to be clothed with the entire discretion as to when and under what circumstances to bring suit and when to compromise or settle for infringement. Spofford has denied himself of all control in this respect although he has a beneficial interest and Goldsmith does not appear to have any. As was said by Judge Shipman in *Gregerson v. Imlay*, 4 Blatch., C. C. R. 503:

"This is detrimental to the peace of society and the safety of individuals and against public policy.
"Demurrer sustained."

Southern Textile Machinery Company v. Fay Stocking Co., 243 F. R. 921:

"The instruments in writing here relied on were in exact terms that Drenk and Phillips *are not parting with their title or ownership*. They do not purport to sell or transfer their interest in the patent applied for, either in the United States or in a specific part of it. This limitation or reservation is reserved and expressly set forth in all the writings to which either of them is a party, they purport to give or to be willing to give, permits or licenses to *manufacture and sell only*. . . .

"It must be held that complainant has acquired, both at law and in equity, something less than the right conferred by the letters patent upon the patentee. The law in this respect has been established by many decisions. The exclusive right thus acquired by a patentee consists of three things: 1. The right to make; 2, the right to use, and (3) the right to vend the invention or discovery. If any one of these three is not assigned or granted, the grantee acquires at most only a license. See the following:

Gaylor v. Wilder, 10 Howard, 477.

Mitchell v. Hawley, 16 Wallace, 544.

Hayward v. Andrews, 106 U. S. 672.

Waterman v. MacKenzie, 138 U. S. 252.

"This being the law, complainant has a good title as to one-half of the letters patent now in litigation, and at most a license as to the other half. In this situation, the parties entitled to maintain an action for infringement has often been under consideration and it is settled law that a licensee, or one or two or more joint owners of a letters patent *cannot* maintain a suit in equity to enjoin infringement without uniting the licensor or their joint owners. See the following:

Gaylor v. Wilder, 10 Howard, 477.

Waterman v. MacKenzie, 138 U. S. 252.

"These rules of law are based on the fundamental consideration that all persons interested in the subject-matter or to be affected by a decree should be made parties, because it is for courts of equity to *do complete justice*, and to settle the rights of *all parties* in one suit in order that litigation may end, and a multiplicity of suits be avoided. A decree does not bind absent parties, and they may therefore harass the defendant with another action based on the same cause of action."

The above case of *Southern Textile Machinery Co. v. Fay Stocking Company* is one heard and decided in 1917, under the new equity rules, and clearly defines under the former decisions of *Gaylor v. Wilder* and *Waterman v. MacKenzie*, who may sue for infringement of a patent, and leaves no question but that the entire legal interest in the patent must be represented in the complainant.

The Opinion of the Circuit Court of Appeals in This Case.

In giving consideration to the issues raised in this case the Circuit Court of Appeals failed entirely to consider the main question at issue, *i. e.*, that respondent herein has no legal title to the patent and cannot under the Revised Statutes place itself in the status of the owner for the purpose of promoting patent litigation.

Respecting the natural right or the statutory right of a patentee there is no issue in this case, but the Circuit Court of Appeals stated that:

"An inventor is not compelled by law to apply for and take out a patent if he has produced a new composition of matter of such a nature that the ingredients and the process are safe from discovery by others either by observing his use of his invention or by independent investigation and experiment, he would have a much more entire monopoly by refusing to make the full disclosure that our

patent statute invites. Such is his natural or common law right. It is only when he fears discovery and resultant injury from the exercise by others of their natural or common law right to copy his unpatented invention that he seeks the patent solicitor. So it is clear to a demonstration that the natural or common law right and the statutory right are separate and independent. Neither impinges upon the other. Whether an inventor exercises or refuses to exercise his natural or common law right has nothing to do with his assertion of his statutory right which consists exclusively of his power through the courts, to restrain others from practicing his invention and to call them to account for having done so in defense of his monopoly."

"As 'the right to exclude' is the only property involved and as that property is made divisible and assignable at the will of the owner, and as the owner had duly assigned to the appellee the whole of the right to exclude appellee, it is difficult to understand why appellee should feel concerned about appellant's lack of right to exclude strangers to this suit."

If the respondent herein was exercising its statutory right "to restrain others from practicing *his* invention to call them to account for having done so in defense of *his* monopoly," petitioner in this case would be bound to recognize the legal rights of respondent herein to invoke the aid of equity in defense of its monopoly. But having no rights in the patent grant, what monopoly has this respondent which any court of equity can enforce or protect?

The opinion of the Circuit Court of Appeals in this case was delivered by the Honorable Judge Baker.

In the case of *Blair, et al. v. Lippincott Glass Co.*, 52 F. R. 226, Judge Baker also rendered an opinion involving a question of title to the patent in suit. In that case

some of the same decisions of the Supreme Court herein relied upon by your petitioner to sustain its present contention, were relied upon by Judge Baker in support of his decision which is squarely in conflict with the decision in the present case.

In that case Judge Baker held:

"An inventor of a new and useful improvement has no exclusive right to it until he obtains a patent. This right is created by the statute and secured to the patentee, and no suit can be maintained by the inventor against anyone for using it before the patent is issued. The discovery is a mere inchoate statutory right, which he may perfect and make absolute by proceeding in the manner which the law prescribes. *Reeves v. Corning*, 51 F. R. 774."

"The monopoly secured to the patentee is for one entire thing. It is the right to make, use and vend to others to be used the improvement he has invented and for which the patent is granted to the exclusion of all others. The monopoly did not exist in common law, and the rights which may be exercised under it must be regulated by the law of its creation. It is created by the Act of Congress and no rights can be acquired in its unless authorized by statute and in the manner therein prescribed. *Gaylor v. Wilder*, 10 How. 477."

"A suit may be maintained for the infringement of a patent in the name of the party interested either as patentee, assignee or grantee. R. S. 4919. But to enable the assignee to sue alone, the assignment *must undoubtedly convey to him the exclusive monopoly which the patentee held* in the territory specified to the exclusion of the patentee and all others. To enable him to sue jointly with the patentee, the assignment *must convey to him an undivided part of the monopoly in the territory where the infringement occurs*. Any assignment short of this is a mere license. *It has been well said that it was not the intention of Congress to permit several monopolies to be made out of one, and to be divided among different persons within*

the same limits. Such a division would inevitably lead to fraudulent impositions upon persons who desired to purchase the use of the improvements, and would subject a party who, under a mistake as to his rights, used the invention without authority, to be harassed by a multiplicity of suits instead of one, and to successive recoveries of damages by different persons holding different portions of a patent right in the same place."

Petitioner's contention in this case is stated exactly in the language of Judge Baker in the paragraph above quoted. The respondent herein has not had conveyed to it an "undivided part of the monopoly." As was contended on behalf of petitioner in the court below, as held in *Gaylor v. Wilder*, and followed in the above case of *Blair v. Lippincott*, the complainant in a suit for infringement *must own the legal title to the patent*. The patent right being "created by an act of Congress, no rights can be acquired in it unless authorized by statute and in the manner therein prescribed." Nowhere does the statute prescribe the assumed "interest" upon which respondent herein relies to maintain this suit for infringement, and which Judge Baker designates in the opinion as "the right to exclude."

Judge Baker's decision in the above case of *Blair v. Lippincott* has been followed in *Wallach, et al. v. Wigmore*, 87 F. R. 469; *N. Y. Continental Co. v. City of Sullivan*, 111 F. R. 179; *Brookfield v. Novelty Glass Mfg. Co.*, 170 F. R. 960, and others.

Decisions Referred to by Court of Appeals.

In support of its finding the Circuit Court of Appeals in this case makes reference in its opinion to the following decisions:

Bloomer v. McQuewan, 14 How. 539.

Patterson v. Kentucky, 97 U. S. 501.

Continental Paper Bag Co. v. Eastern Paper Bag Co., 210 U. S. 465.

Fuller v. Berger, 120 F. R. 274.

In not one of the above cases was a complainant undertaking to sue for infringement when he owned neither a natural nor a statutory right in the patent, as is the case in the present instance.

In *Bloomer v. McQuewan* it was decided that:

"One in the lawful use and ownership of a patented machine at the time of expiration of extended Letters Patent, may lawfully continue to use that identical machine, though the term of the Letters Patent has been still further extended by a special Act of Congress."

No question of title was raised in that case.

In *Patterson v. Kentucky*, the question before the court was whether or not a state law could be enforced against a patentee owning a process upon which the United States Government had granted a patent.

No question of title was raised in that suit.

The question decided in the *Continental Paper Bag Company v. Eastern Paper Bag Company* was that:

"Non-use of a patent for an improvement on paper bag machines in order to save the expense of changing or altering the old machines will not justify a court of equity in withholding injunctive relief again infringement."

No question of title was raised in that suit.

In *Fuller v. Berger*, the court held:

"Neither the non-use or the misuse of a patented device by the owner of a patent deprives him of the right to maintain a suit in equity to enjoin infringement."

No question of title was raised in that case.

In none of the cases referred to was the question of the complainant's right to sue for infringement presented to the court. It appears from the court's opinion in each of the above cases that the title to the patent in each of the above suits was properly vested in the persons bringing the suits.

To read into this case an assumed issue, the decision of which ignores the real issue presented here, establishes a wicked precedent and is a travesty upon justice.

Not a single precedent or a section of the Revised Statutes has been pointed out, in this entire case, on behalf of the respondent, nor in the opinion filed by the Honorable Judges of the Circuit Court of Appeals, which furnishes a basis for permitting a complainant having no legal title to the patent, and no rights to *make, use or vend* the machine covered by the patent, to maintain a suit for infringement, and contest the validity of a patent, legal title to which is vested in parties not in court.

According to the Revised Statutes and the decisions of this court upon the question of titles heretofore referred to, the petitioner herein cannot be forced to defend a suit for infringement by a complainant who has no legal interest in the patent sued on.

The contract, "Exhibit A," between respondent and the owner of the patent in suit shows that no interest in the patent which can be protected by the injunctive writ was transferred, or attempted to be transferred, by the Reed Mfg. Company to the respondent herein.

Further, and as previously stated, if the respondent herein has cause for action against the petitioner, it cannot be for anything more or different than is stated in the contract, "Exhibit A," which is only for the collec-

tion of alleged damages and profits, the subject-matter of which this court has no jurisdiction.

Upon the decisions above referred to the Circuit Court of Appeals in this case also found that:

"Section 4898 R. S. says that: Any patent or any interest therein shall be assignable in law by an instrument in writing. It would be harder to find broader or clearer words than 'any interest therein' with which to clothe the owner of a patent with the right to subdivide and deed or lease his property as he pleased."

If the Constitution or Revised Statutes furnished any basis for this construction of the transferable interests in patent grants, the Supreme Court did not follow the Constitution and Statutes in *Moore v. Marsh*, *Gaylor v. Wilder*, *Waterman v. MacKenzie*, and other cases referred to in this brief, all uniformly holding contrary to the decision of the Court of Appeals in this case.

Public Policy.

In the opinion of the Circuit Court of Appeals (p. 23 Rec.), it is stated:

"Appellee's argument that a monopoly of this character is contrary to public policy is somewhat belated in view of the Constitution and Acts of Congress."

The petitioner's motion to dismiss raised no question of public policy, although in view of the following decisions it is apparent that it might have done so and would not have done violence either to the Constitution or to the Acts of Congress.

In *Goldsmith v. American Paper Collar Co.*, 2 F. R. 239, the court, in referring to Sec. 4921, Rev. Stat., said:

"The clear purport of this provision is that the party in interest must bring suit whether at law or

in equity, in his own name and cannot delegate the right to another person to bring the suit in the name of such other person, when the suit is not for the benefit in any way of such other person. *It is a question of public policy.*"

And again:

"There is another respect to which it is against *public policy* to permit a suit like this to be brought. Goldsmith appears to be clothed with the entire discretion as to when and under what circumstances to bring suit and when to compromise or settle for infringement. Spofford has denied himself all control in this respect although he has a beneficial interest and Goldsmith does not appear to have any. As was said by Judge Shipman in *Gregerson v. Imlay*, 4 Blatch., C. C. R. 503, 'This is detrimental to the peace of society and the safety of individuals and is against *public policy*'."

The real question at issue here is now presented to the court for the first time. That it is one of gravity and importance needs no further argument than the statement that if a precedent is established creating a new transferable "interest" in a patent grant, whereby a manufacturer who desires to suppress or annihilate competition may purchase from the owner of a patent, not any of the exclusive rights conferred by the patent grant, but an additional "right" for the purpose only of involving competitive manufacturers in useless and expensive patent litigation, it will have but one result, *i.e.*, the promotion of litigation of this nature.

Litigation of the kind exemplified by this suit would serve no good purpose for anyone. It contemplates only establishing a new basis for lawsuits, which is contrary to the spirit and purpose of Article 1, Sec. 8, of the Constitution of the United States; is also contrary to the Federal Statutes covering patent grants, and to suits arising under the patent laws.

Under the law as well established and shown by the cases herein referred to, the equities in this case are all with the petitioner herein, and the bill should be dismissed.

Respectfully submitted,

FLORENCE KING,

Solicitor for Petitioner.

CHICAGO, Jan. 8, 1923.